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THE ROLE OF THE NAVY AUTHORIZATION ACCOUNTING ACTIVITY IN ACCOUNTING FOR END-USE FUNDS

by

James Wilbur Brown

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THE ROLE OF THE NAVY AUTHORIZATION ACCOUNTING ACTIVITY IN ACCOUNTING FOR END-USE FUNDS

By

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A Thesis Submitted to the School of Government and Business Administration of the George Washington University in Partial Fulfillment of the Requirements for the Degree of Master of Business Administration

June, 1969

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CHAPTER I

INTRODUCTION

Subject and Approach

In recent years, the Department of Defense has been increasingly concerned over the efficient utilization of assigned resources. Much time and effort has been devoted to devising an accounting system which will identify, measure, and provide a means to control the cost of operating an activity in terms of total resources consumed or applied. The latest product of the time and effort directed to this area is Project PRIME. Project PRIME is the abbreviation for "Priority Management Effort" and is used to illustrate the emphasis on management information in the accounting system implemented in the Department of Defense on 1 July 1968. Project PRIME is the first phase of the broader Resource Management Systems (RMS); however, for the purpose of this study, the term RMS and Project PRIME will be used interchangeably in reference to the new system. The case in point, discussed at length in this study, is that any system can only be successful if the accounting activities understand the procedures and have the capabilities for producing the desired results. A problem of methodology does exist in carrying out the accounting function in the

Navy and the Authorization Accounting Activity (AAA) is at the core of this problem. The purpose of this study is to determine the role of the Navy AAA in accounting for end-use funds and to identify problems experienced in fulfilling this role.

The approach of this study is to first identify conditions as they are today. Chapter II will discuss the criteria for designating an AAA, the organization of the total Navy accounting structure, the internal organization of the AAA, the promulgation of operating procedure, a summary of the reports submitted by the AAA, and, finally: will identify problems found in the present system. Chapters III, IV, and V will discuss these problems as they relate to organization, procedures, and reports, respectively. Chapter VI will discuss other problems not listed previously and Chapter VII will summarize the study and list conclusions reached. Appendix I is the questionnaire sent to fifty AAA's and Appendix II summarizes the results of the response to the questionnaire.

Research Questions

This study is expected to provide answers to the following questions:

1. What are the functions of the AAA?
2. Do AAA's have adequate resources (ADP Equipment and Personnel) to carry out their assigned function?
3. Do AAA's receive sufficient guidance on standard

procedures to be utilized and assistance in implementing these procedures?

4. Does the performance of the AAA suffer because the present organizational structure does not provide consistent top level support?

5. Are the AAA's responsive to the changing needs of headquarters and field level managers?

Scope and Organization of This Study

The title describes the scope of this study. The AAA accounts for only those funds allotted to field activities of the shore establishment by their headquarters command, office or bureau for the purpose of carrying out their assigned mission. The main source of these funds is the annual Operations and Maintenance Navy (O&MN) appropriation. The scope does not include fleet activities, Marine Corps Activities, or activities performing the accounting at the departmental level.

This study is organized around the operations of the AAA. Problems outside the scope described are discussed from time to time; however, this discussion is intended to be primarily on the areas which have an effect on the operation of the AAA. The intent of this study is to express the view point of personnel at the field level as determined by the responses to the questionnaire.

Questionnaire

The questionnaire contained in Appendix I was sent

to 50 AAA's which perform the end-use accounting for 798 field activities. All activities requested to complete the questionnaire have 5 or more customer activities. The 50 AAA's selected represent 25.5 per cent of the total number of AAA's; however, their 798 customers represent 76.5 per cent of all customer field activities. The following chart better conveys this point:

CHART 1-1

	Number of AAA's	Per Cent	Number of Customers	Per Cent
50-over	1	.5	62	6.0
40-49	4	2.0	163	15.6
30-39	3	1.5	112	10.7
20-29	6	3.0	132	12.6
10-19	14	7.0	103	18.6
under 10	168	86.0	381	36.5
TOTAL	196	100.0	1043	100.0

Replies were received from 35 or 70 per cent of the activities requested to complete the questionnaire. The 35 activities responding represent 17.9 per cent of the total number of AAA's and perform the accounting for 583 customer field activities which represent 55.8 per cent of the total customer field activities.

CHAPTER II

AUTHORIZATION ACCOUNTING ACTIVITIES TODAY

Background Information

There are 196 AAA's designated to perform the official end-use accounting for 1,043 customer shore activities.[1] This number may vary from time to time for both AAA's and customer activities due to commissioning, decommissioning and consolidation of activities. The concept is to consolidate the function to the maximum degree within an area populated by a number of Naval activities. The consolidation eliminates the need for each command to have its own accounting staff. The accounting services provided include fund resource, plant facilities, stores, cost, and payroll accounting. The accounting function will normally be performed by a logistic support command such as a Naval Station, Naval Air Station, or Supply Center which is in close proximity to the supported activity. It is also desirable to have an accounting activity capable of performing all accounting functions required; to be managed by the same headquarters command, bureau, or office as the supported command; and, that both commands be under the same area coordinator.

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[1]U. S. Department of the Navy, Office of the Comptroller, Navy Comptroller Manual, Volume II, pp. 5-193 - 5-241.

There are exceptions to these rules: the most noticeable of which are activities managed by the Bureau of Medicine and Surgery (BUMED). BUMED is required to report to the Bureau of the Budget under an accounting system used by all Federal hospitals. This system is not completely compatible with the system used in the Department of Defense. For this reason, BUMED activities perform their own accounting; however, they are still required to meet all requirements established by the Comptroller of the Navy (NAVCOMPT). Shipyards, Ammunition Depots, and Public Works Centers also perform their own accounting because they operate under the Navy Industrial Fund. The Navy Industrial Fund is a revolving fund which again utilizes a system different than field activities operating on annual budgets allocated from the yearly operations and maintenance appropriation.

Organization

System organization

The Comptroller of the Navy has the following responsibilities:

> The mission of the Comptroller of the Navy is to formulate principles and policies and prescribe procedures and systems which will exercise effective control over the financial operations of the Department of the Navy through the application of sound accounting principles and progressive modernization of the programming, budgeting, accounting, progress and statistical reporting and auditing practices of the Department of the Navy.[2]

The Comptroller of the Navy (NAVCOMPT) promulgates

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[2]U. S. Department of the Navy, Office of the Comptroller, Navy Comptroller Manual, Volume I, pp. 1-3.

his established procedures via NAVCOMPT manuals and instructions which are binding on all AAA's. NAVCOMPT verifies that these instructions are followed through his Navy Audit Service. However, NAVCOMPT does not hold any management authority over the designated accounting activities. For the most part, accounting activities are logistic support activities whose primary mission of supply, repair, or support places them under a headquarters command, fleet commander, bureau or office responsible for this primary mission in the area which the AAA is located. Nineteen different headquarters commands have management responsibility over one or more AAA's. NAVCOMPT acts in a staff capacity setting policy and procedures to be followed and also acts as a technical advisor. Chart 2-1 lists the major commands, the number of AAA's under their management authority, and the total number of customer field activities for which their managed AAA's perform the accounting.

The Assistant Secretary of the Navy for Financial Management is also designated as the NAVCOMPT. His position in the Department of the Navy organization is illustrated in Chart 2-2. The internal organization of NAVCOMPT is illustrated in Chart 2-3.

NAVCOMPT has management authority over twenty-seven field activities. These field activities include two Navy Finance Centers, seven Navy Regional Finance Centers, and twelve Navy Finance Offices which are managed by the Assistant Comptroller for Financial Management. Although

CHART 2-1

HEADQUARTERS COMMANDS, BUREAUS, OR OFFICES (MAJOR COMMANDS)
WITH MANAGEMENT AUTHORITY OVER
AUTHORIZATION ACCOUNTING ACTIVITIES (AAA's)

MAJOR COMMANDS	NUMBER OF AAA's MANAGED	TOTAL NUMBER OF CUSTOMERS ASSIGNED TO AAA's
CNO	3	59
CINCLANTFLT	19	138
CINCPACFLT	23	117
CINCUSNAVEUR	6	43
CNATRA	13	56
CHIEF NAVAL RESEARCH	2	7
CNM	11	25
NAVAIRSYSCOM	6	16
NAVELECSYSCOM	1	5
NAVFACENGCOM	22	34
NAVORDSYSCOM	16	21
NAVSHIPSYSCOM	9	52
NAVSUPSYSCOM	10	330
BUPERS	5	58
BUMED	32	38
NAVCOMMCOM	7	17
NAVCOMPT	1	2
MSTS	5	18
OCEANAV	1	3
MAG/MISSIONS	4	4
TOTAL	196	1043

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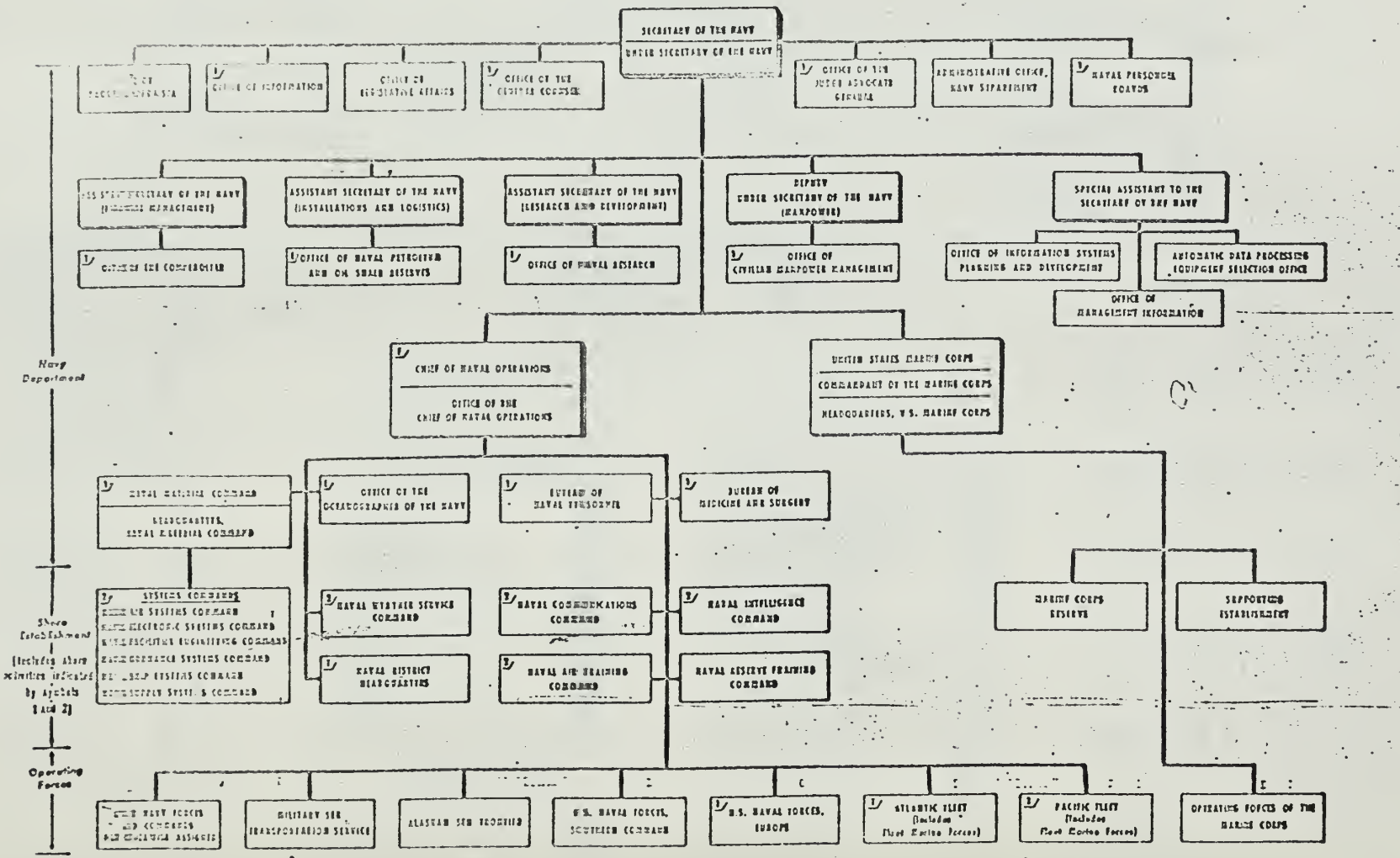
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NAVAL AIR TRAINING COMMAND
NAVAL RESERVE TRAINING COMMAND
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SUPPORTING ESTABLISHMENT
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U.S. NAVAL FORCES, EUROPE
ATLANTIC FLEET
PACIFIC FLEET
OPERATING FORCES OF THE MARINE CORPS
Navy Department
Shore Establishment
Operating Forces

NOTES: If designated, commander (commanding officer) and members of the Shore Establishment are otherwise shown. Includes a separately established headquarters and assigned shore activities.

Prepared for educational purposes, by the Administrative Management Division, Administrative Office, Navy Department, Washington, D. C. 20350

10 October 1967

NESD 36

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Deputy Comptroller of the Navy
21 October 1968

Change 2-3

10

these field activities perform many functions, the primary responsibilities are to disburse public funds and to consolidate financial reports for submission to higher authority. The Auditor General manages six Naval Area Audit Offices which perform the internal audit function for the Navy.

Internal Organization of Authorization Accounting Activities

The Comptroller of the Navy has established guide lines for the internal organization for designated accounting activities.[3] In general, the organization is divided into divisions, branches, and sections according to the functions performed. For example, the Accounting Division is normally organized into four branches: (1) Timekeeping, (2) Payroll, (3) Cost and Reports and (4) Inventory Accounting.

Organizations will vary due to the size of the operation and the number of functions performed. This thesis will encompass mainly the functions of the Cost and Reports Branch which include:

1. Maintain records of charges and credits to appropriations.
2. Maintain all official fund resource ledgers and records, including those for accounts receiveable, commitments, obligations, and expenditures.
3. Maintain cost records.
4. Prepare required reports.
5. Maintain internal controls to insure accuracy of records and propriety of changes.[4]

Operating Procedures

The Comptroller of the Navy is responsible for

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[3] Ibid., p. 2-92.

[4] Ibid., p. 2-93.

establishing and promulgating operating procedures. These procedures are promulgated through NAVCOMPT manuals, NAVCOMPT Instructions and Notices, and through NAVCOMPT rulings. The NAVCOMPT manuals are as follows:

Volume	Description
I.	Comptrollership Organization and Responsibilities.
II.	Accounting Classification.
III.	Appropriation, Cost, and Property Accounting (Field).
IV.	Disbursing.
V.	(not used).
VI.	Appropriation Control Procedures.
VII.	Budgeting.
VIII.	Operating Forces Funding and Accounting.
IX.	Statistical and Progress Reporting.
X.	Contract and Special Financing.

Manuals are updated through changes which are published as needed. The change process is time consuming and has proven inadequate when time is a factor. In such cases, instructions and notices are used. These are letter type directives distributed to the same activities holding manuals. Instructions and notices are normally only effective until the change can be incorporated in the manual. This method is also used for procedures for pilot projects. Under this situation, changes are not incorporated in the manuals until the new procedures have been tested.

Major changes to the system, such as the new Resources Management System, have been promulgated in paperback manuals. Again this will be temporary: the new system will be incorporated in a manual after it has settled down and the procedures have proved to be workable.

The NAVCOMPT manual list required reports, records, and required checks and balances to be a part of the system.

However, they do not specify a detailed methodology which is to be installed at each activity. The methodology differs greatly between AAA's partly due to the range of data processing equipment installed. The designated accounting activities range from being completely mechanized to being completely manual. The manuals help in setting up a nonmechanized system but do little to assist in a mechanized system. NAVCOMPT does not do any centralized programming; however, each mechanized system devised by a field activity must be approved by NAVCOMPT before it can be installed.

Some headquarters commands have established central programming facilities for their managed field activities in which programming the financial effort has been included. The Naval Supply Systems Command has been the leader in this endeavor and presently has all eight of its supply centers on a central program.

Accounting activities are encouraged to request rulings from NAVCOMPT on procedures which are unclear, or for questions which arise that do not seem to be covered in NAVCOMPT directives.

Headquarters commands can issue additional directives over and above those published by NAVCOMPT. These directives are usually instructions which require additional reports, shorter reporting time frames, or more detail on a required report. They can not alter or conflict with NAVCOMPT directives unless approved by NAVCOMPT.

Reports

Reports are submitted by the accounting activities for each customer in accordance with NAVCOMPT and other headquarters commands directives. Reports can best be classified as either financial reports or management reports. The following explains each type of report:

Financial reports

Financial reports are designed to inform all levels of management of the present status of funds issued. Financial reports differ depending on the source of the funds. Funds issued under the O&MN appropriation are under the new Resource Management System (RMS). The primary financial report for these funds is the Expense Operating Budget Financial Report (NAVCOMPT Form 2170). This report contains a trial balance as of the last day of each month and is submitted to the appropriate departmental accounting activity on or before the thirteenth of the following month. NAVCOMPT Form 2170 answers the question heard most, "how much money is left?" This report also requires a break out giving more detail on certain specified general ledger accounts. The report contains five different sections and is basically a comparison of the current month's trial balance with the prior month trial balance, showing the amount of change in each account.

In addition, a Functional Category Expense Element Report is submitted with NAVCOMPT Form 2170. This report

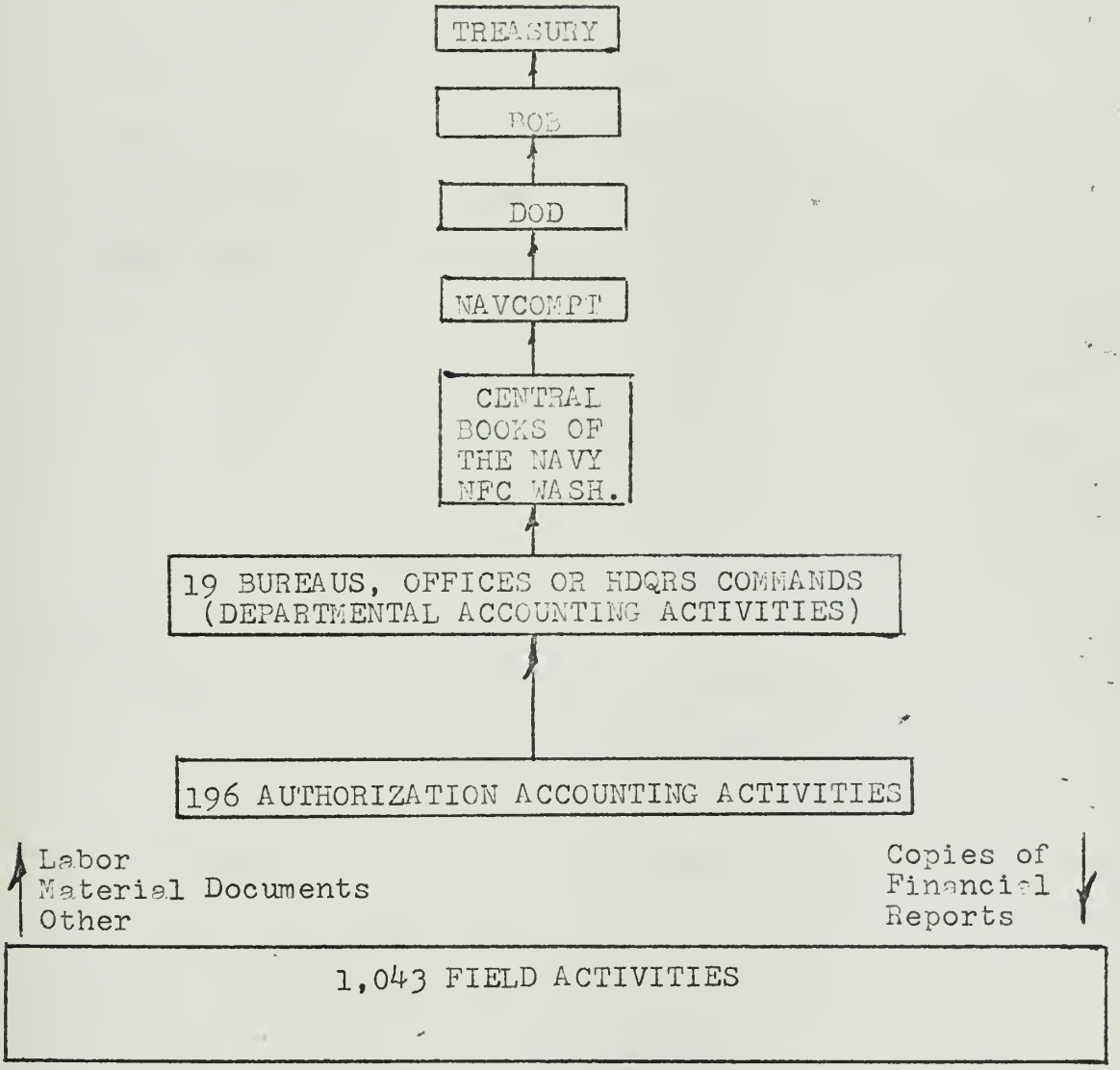
lists the monthly accrued expenses by function and type of expense. It is designed to summarize who spent the funds (functional); for what (type of expense); and, is on an accrued basis.

For activities receiving an allotment under an appropriation other than the O&MN appropriation, the financial status is reported monthly on the Status of Funds Authorization Report (NAVCOMPT Form 2025). This report lists funds authorized, committed, obligated, and expended by budget project (budget project denotes or separates funds for specific purposes). This report lists current month and year to date figures for each heading.

The AAA must submit a Reconciliation Report (NAVCOMPT Form 2036) for each allotment or operating budget (new name for allotment under the RMS) accounted for. This report is designed to reduce undistributed expenses. It reconciles amounts expended by various finance offices, disbursing offices, or other finance activities with the amounts reported as expended on individual allotment or operating budget records. It is a check and balance report to insure all expenditures are properly charged to the correct activity.

Copies of all financial reports, except for the NAVCOMPT Form 2036, are provided to the customer activity and to the headquarters command issuing the funds. All financial reports are submitted to higher authority as denoted in Chart 2-4.

CHART 2-4


TREASURY
BOB
DOD
NAVCOMPT
CENTRAL BOOKS OF THE NAVY NFC WASH.
19 BUREAUS, OFFICES OR HDQRS COMMANDS (DEPARTMENTAL ACCOUNTING ACTIVITIES)
196 AUTHORIZATION ACCOUNTING ACTIVITIES
Labor
Material Documents
Other
Copies of Financial Reports
1,043 FIELD ACTIVITIES

Management reports

Management reports are designed to inform all levels of management of how funds have been spent. These reports are most commonly used for judging performance of the activity that issued the funds. RMS requires an Operating Budget Report (NAVCOMPT Form 2168). This report lists expenses in the same format as required for budget submissions; thus, making a comparison between budgeted and actual expenses possible down to the lowest level of an organization. This report is completed in detail down to the sub-cost center level and, in summary, to the cost center level. It was designed as a tool for the field activity; however, most headquarters commands have requested copies to assist them in the management of their field activities. This report is completed monthly by the fifteenth of the month following the reported month.

The Performance Statement (NAVCOMPT Form 2169) is probably the most useful report available at all levels. This report, like NAVCOMPT Form 2168, is prepared in detail and in summary. It shows the per cent of the annual budget the command expected to spend at the time of the report, and the per cent of the annual budget actually expended at that point of time. This provides managers a quick comparison and is a great assist for the management by exception approach.

Four other specialized management reports are submitted on field activities meeting the specifications for

submission. They are as follows:

1. Family Housing and Maintenance Cost Report (NAVCOMPT Form 2100).

2. The Transportation Operations and Maintenance Cost Report (NAVCOMPT Form 2122).

3. Utilities Cost Analysis Report (NAVCOMPT Form 2127).

4. Maintenance Cost Analysis Report (NAVCOMPT Form 2150).

These reports are submitted to the Naval Facilities Engineering Command Headquarters. They require detailed cost figures for amounts spent on Navy owned or leased facilities and equipment.

Problems With The Present Structure

The fact that there are problems with the present structure have been brought to light from at least three different sources: (1) a report on the Navy Financial Management System dated January 13, 1969, prepared for the Assistant Secretary of the Navy for Financial Management by Peat, Marwick, Livingston and Company; (2) review of the Navy Accounting System, Report Number I00048 dated May 3, 1968, prepared for the Deputy Comptroller of the Navy by the Naval Audit Service; and, (3) replies from the questionnaires received from field personnel employed at the Navy AAA's. The problems will merely be identified to their source in this chapter. The problems will be discussed in detail in Chapter III, IV, and V.

Peat, Marwick, Livingston and Company (PML) Report

The scope of the study completed by Peat, Marwick,

Livingston and Company encompasses the entire Navy Financial Management System and is; therefore, much broader than the scope of this thesis. However, the report did touch on problems which have an effect on the AAA's. It pointed out the relationship between NAVCOMPT and other major Navy organizations. The main point being that major Navy organizations have been autonomous with respect to design and implementation of financial management and accounting systems. This report states:

> Implementation of Navy-wide systems under the sponsorship of the Comptroller is frequently successfully compromised by major responsible organizations that feel these systems represent a threat to their management autonomy. As a result, the Navy Comptroller does not and can not operate with the degree of authority commonly associated with the counterpart position on industry corporate controller.[5]

This success in compromising the system means AAA's must make reports which satisfy NAVCOMPT requirements plus those which some major organizations have changed. In short, the system is no longer a standardized system.

Another problem listed by Peat, Marwick, Livingston and Company is one of resources. This report states:

> The Navy Comptroller organizations lacks the resources to implement current and projected systems development within a reasonable time frame. This resource deficiency is in terms of both quantity and skills.[6]

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[5]Peat, Marwick, Livingston and Company, "Contract Summary Conclusions and Recommendations for Navy Financial Management Systems Development," Washington, D.C., January 13, 1969, p. 2.

[6]Ibid., p. 3.

The context of this statement was the need for systems specialist required to develop the total Financial Management System. Although it is taking this statement somewhat out of context, this lack of resources also presents a problem in developing systems for the AAA.

Peat, Marwick, Livingston and Company also point out a fallacy in the narrow approach used in solving problems found in the system. The point here is that the system is too often analyzed as an isolated entity which can and has led to a network of patch elements instead of an integrated system.

Navy Audit Service Report

Expressed in one sentence, the Naval Audit Service Report states:

> The Navy accounting system is unnecessarily complex and fails to provide data needed by management.[7]

The causes for this dilemma are:

> 1. The diversity of documents used for various types of transactions.
> 2. The multitude of codes used to accommodate and report data.
> 3. The lack of uniformity in numbering and coding.
> 4. The voluminous reporting requirements.
> 5. Much of official accounting is performed by activities whose primary function is not accounting.
> a. Accounting does not receive the resources or attention the primary function does.
> 6. The accounting system is felt by some people in the field to be for higher levels of authority. It is not useful; therefore, activities design their own system.[8]

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[7]U. S. Department of the Navy, Office of the Comptroller, Review of the Navy Accounting System, Report Number I00048, May 3, 1968, p. 3.

[8]Ibid.

Problems reported by field personnel

The problems listed by accounting personnel responding to the questionnaire were consistent. The number one problem listed by 85 per cent of the activities replying was shortage of personnel. The primary cause was listed as the implementation of RMS without an increase in personnel.

The next problem was the need for additional data processing capability. Of the activities with some capability available to them, 85 per cent thought more work should be mechanized. The biggest problem preventing this was a lack of people to design and program additional work for mechanized processing.

Another problem experienced by the majority of activities returning the questionnaire was the need for more standardization of procedures and reports. The need for more standardization was expressed by 75 per cent of the activities.

Other problems listed were:

1. Complexity of manuals and directives and the need for consolidation and simplification.

2. The need for more assistance in developing local systems and procedures.

3. Report due dates do not allow sufficient time for preparation.

4. Assistance needed in training military and civilian personnel.

5. Implementation dates are too short for new programs.

6. Lack of command interest, support, and understanding.

The remainder of this project will be devoted to addressing the problems mentioned by the three sources, discussing various alternative solutions to the problems, and recommending actions to be initiated.

Summary

The purpose of Chapter II has been to provide the reader with a background on the structure and the problems of the Navy Accounting System. The main points to be remembered are that only those activities designated perform official accounting. These activities are normally logistic or support type commands which provide their customers other services besides accounting. The AAA is managed by the headquarters command which is responsible for the primary function performed by the AAA in the area in which it is located and NAVCOMPT is responsible for the accounting system and promulgates procedures to be followed and reports to be submitted through the Navy directive system.

CHAPTER III

DISCUSSION OF ORGANIZATION PROBLEMS

General

Organization problems concerning the AAA are more external than internal. The functional organization used internally appears to be sound and could not be identified as a cause of any of the problems listed in the previous Chapter. The problems which can be identified as organizational are the relationships between NAVCOMPT, the Headquarters Commands, Bureaus or Offices (Major Commands), and the AAA's.

NAVCOMPT's Solution

The main problems with the present organization, according to NAVCOMPT, is that the AAA's are not given proper support to carry out their responsibility. Accounting is looked on as a secondary role by both the command in which the accounting is performed and its manager. NAVCOMPT's answer to this problem is Project SNAP. SNAP is the buzz word standing for Standard Navy Accounting Procedures. The objective of Project SNAP is to centralize, under NAVCOMPT, accounting functions not organic to other missions. Under this system, the accounting function would be removed from activities presently designated as an AAA and placed under

a NAVCOMPT activity already in existence, or a new command established for that purpose.

NAVCOMPT lists the following as benefits which would be derived from Project SNAP: (1) accounting would be standardized; (2) accounting would be more centralized; (3) accounting would receive more command support because it is the primary function of the command; (4) NAVCOMPT would have more control over the system which would make it easier to initiate changes to the present system or to implement a new system; and, (5) more efficient utilization of ADP. Project SNAP does not envision the transfer of stores accounting, stock fund accounting or, industrial fund accounting.

Project SNAP is one alternative solution to the problem of NAVCOMPT's reluctance to infringe on the major commands authority over the AAA's. This is the biggest problem facing the system as brought out by reports of Peat, Marwick, Livingston and Company and the Naval Audit Service. It is the cause for not having standard procedures and reports plus many other of the problems listed in Chapter II. The question now is: is this the only alternative and if not, is it the best one?

NAVCOMPT's approach to implementing SNAP was to pick an area to run a pilot project. Norfolk was the first choice, so the Naval Supply Center (NSC) Norfolk was approached for information on the size of their accounting operation. NSC Norfolk notified the Naval Supply Systems Command, the headquarters command having management

responsibility over NSC, who made a rebuttal of the idea through his boss, the Chief of Naval Material. This rebuttal stated that the NSC already had the existing organization, staff, and ADP capability. The Center's ADP equipment is programmed centrally and the accounting package is integrated into their total system. This would mean that the NAVCOMPT activity would require additional ADP equipment. The reply also stated that the present trend toward including management and performance data in the same reporting framework is more readily accommodated in an organization not solely concerned with accounting. The eight Naval Supply Centers managed by NAVSUP do the accounting for more than 25 per cent of all field activities and has proven to be the most aggressive major command managing AAA's. They are the only major command which has completely integrated the accounting system into the total logistic system with central programming. The argument of insufficient support does not apply to NAVSUP managed supply centers. Based on this reply, NAVCOMPT abandoned the idea of picking Norfolk as a pilot site and presently has plans to make Great Lakes the test site.

This confrontation between NAVCOMPT and the Naval Supply Systems Command again ended with NAVCOMPT backing down. The arguments in this case were valid and raised the question of the feasibility of Project SNAP.

If NAVCOMPT has been unsuccessful in pushing a standard systems through the autonomous major commands, who would believe these same commands would agree to giving up

the accounting function performed by designated activities within their command authority? Is accounting an end in itself or is it a support function of other areas? It is predictable that the major commands believe the latter. Project SNAP would also be expensive to implement. As brought to light by NSC Norfolk, accounting is not the only function processed on ADP equipment at those AAA's which are automated. Therefore, if the accounting function were removed, additional ADP equipment would be required for the NAVCOMPT activity assuming the function. Based on the questionnaires, the majority of replies which did not believe they were receiving command support was predicated on a shortage of people. This shortage of people is contributed to two factors: (1) austere funding climate resulting from the Vietnam war and (2) implementation of Project PRIME. Project PRIME was approved under the congressional restraint that the services could not hire additional people to implement the system. If all the facts were known, field managers in other functional areas including the primary function at commands designated as accounting activities consider themselves just as short handed. Therefore, AAA's would be just as short handed if they were managed by NAVCOMPT.

Project SNAP also violates one important criteria for the designation of an AAA. The criteria is that a designated activity should perform all types of accounting functions, which includes stores accounting. This criteria has merit. It allows for a more integrated local system; whereby, a requisition input to the supplying activity can

also generate the financial detail card to be used as the input for the accounting transaction. This type of single source input to both the supply and financial system reduces the chances of the document getting lost or creating an error plus reducing processing time. Since requisitions for material represent a major portion of the AAA's work load, an integrated system is more desirable than one divorced from the supply system. This point applies to other activities such as Naval Stations and Naval Air Stations with a Supply and Fiscal Department as well as applying to supply centers.

Another disadvantage of Project SNAP is its effect on the NAVCOMPT position within the Department of the Navy organization. The Comptroller has two official titles: first, he is Assistant Secretary of the Navy for Financial Management and, second, he is the Comptroller of the Navy. This places NAVCOMPT at the secretariate level in a staff position to the Secretary of the Navy. In this position, the Comptroller has power over major commands to force utilization of the standard system. The problem is, he has not used that power and, to prevent "stepping on someone's toes," is now proposing to manage the entire system under his own field commands. The Comptroller should not manage anymore field activities. This could jeopardize his high position in the Department of the Navy and could lead to a down grading of the Comptroller position similiar to that in the Army and Air Force.

Alternative Solution

The preceding discussion is not intended to be critical of NAVCOMPT. NAVCOMPT has successfully endeavored to define the problem through internal and external resources and should be commended for doing so. Whatever action is taken must realize the benefits listed by NAVCOMPT as attainable through Project SNAP.

The biggest problem in arriving at a workable solution is political within the major commands and NAVCOMPT. The situation was expressed by Peter Drucker in an article published in the Washington Post on February 2, 1969. In this article he states:

> Modern government has become ungovernable. There is no government today that can still claim control of its bureaucracy and of its various agencies. Government agencies are all becoming autonomous, ends in themselves, and directed by their own desire for power, their own narrow vision rather than by the national policy.[9]

This may be a bit strong, but is the best explanation to be found for the major commands resistance to NAVCOMPT's efforts to standardize the system.

NAVCOMPT can reduce the problem at less cost and without causing a political storm by placing themselves closer to the AAA's. Mr. Alfred P. Sloan, Jr., past President of General Motors, had a similar problem in the early 1920's. Mr. Sloan learned from experience that

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[9]Peter F. Drucker, "Rx for a Sick, Flabby Government," Washington Post, February 2, 1969, p. B-4.

uniformity was essential to financial control. One of his immediate task, after taking over as President of General Motors, was to strengthen the accounting organization (centrally and within the operating divisions), and, to institute standard accounting practices throughout the organization.[10] He accomplished his task by the principle of dual responsibility for the operating division comptrollers. The comptrollers were responsible to both their division general manager as well as the comptroller in the central office.[11] Just because this arrangement worked successfully for General Motors does not imply it will work for the Navy; however, the idea does have merit for consideration. The Navy system is weak and in need of a shot in the arm. Shoring up the system must provide for a better line of communication between the AAA and NAVCOMPT. This fact was understood in Project SNAP.

Information on the size and specific operating characteristics of the individual AAA is nonexistant within NAVCOMPT. Staff accounting personnel are specialists in the various areas of accounting and are responsible for answering technical questions from the field and updating the manuals as required in their speciality area. For example, no one knows: exactly how many AAA's there are; how many people are employed by each AAA; the work volume

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[10]Alfred P. Sloan, Jr., My Years With General Motors, (New York: MacFadden-Bartell Corporation, 1965), p. 143.

[11]Ibid.

at each AAA; the ADP capability of each AAA; or, what type internal procedures are used by the AAA's. Except for NAVSUP managed supply centers, accounting activities must develop all local operating procedures, complete the system design, and program their own computer.

A void presently exists in the area of coordination which is needed to establish the integrated accounting system NAVCOMPT is responsible for developing. NAVCOMPT should fill this void with a small staff of personnel well versed in the operations of the AAA. The responsibilities of this staff would be: to establish a contact in each major command and each designated accounting activity; collect a file of information on each AAA; and to assist in the mechanization or hardware update operations by providing knowledge learned from other activities with the same type ADP system already in existence. This staff would serve as a linking pin pulling the AAA's together.

Another flaw in the internal NAVCOMPT organization is the lack of the systems approach utilized by the specialist. More effort should be made to shift to a total accounting system concept which would include designing system procedures for both mechanized and nonmechanized AAA's. This would entail close coordination with the major commands so as to meet the needs of individual differences of the AAA's. More will be said on this in Chapter IV.

In summary, it is up to NAVCOMPT to take action to relieve the present dilemma. Placing accounting activities

under their direct management is not considered the most feasible approach. NAVCOMPT has the power to insist on a standard accounting system for the Navy; but, has not set up the framework to develop the procedures for such a system or enforce its use. At the present time, it does not have the information in house needed to develop procedures which would be workable. Therefore, it is thought best to set up an internal staff to collect this needed information and act as a coordinator to see that workable procedures are developed and put in force.

CHAPTER IV

DISCUSSION OF PROCEDURE PROBLEMS

Scope of Present Procedures

Format of procedures

As stated in Chapter II, procedures are, for the most part, promulgated by NAVCOMPT manuals. For the allotment system, procedures for the AAA are found in Volumes II and III. These procedures are listed by function (i.e., civilian labor procedures are listed in Chapter 3; cost accounting procedures are listed in Chapter 5; and, the maintenance of allotment records are listed in Chapter 9 of Volume III). Each functional area is covered in detail speaking to all the various situations which could apply to an AAA. The problem is to tie all these functions into a smooth system flow. It is the responsibility of each local activity to extract the procedures for each function into a total systems flow reduced to terms that the working level personnel can understand. This has been proven to be a very difficult task and beyond the capability of most AAA's to complete. The result has been a piecemeal system of procedures for different functions which are not integrated. The AAA's have personnel trained in specific functions doing a certain task as described in the NAVCOMPT manual.

Employees learn their own jobs but have no idea of the work that interfaces with their fellow workers. NAVCOMPT manuals make it almost impossible to see the big picture or to figure out how all the pieces are supposed to fit together. This problem is compounded by the high turnover of GS-4 and GS-5 clerks employed by the AAA's to perform the accounting. The main result being that most AAA's are "pressure shops" or under a situation of moving from one brush fire to another which is one of the causes for the employee low morale and the high turnover rate.

The procedures for Project PRIME, the implementation of the O&MN portion of the Resources Management System, were published in a paperback manual. This manual is an improvement over procedures for the allotment system but still makes it difficult to see the big picture. Chapter IV of the new manual lists accounting transactions and how each should be posted to the general ledger and other records through the closing of the ledgers each month. However, it is still lacking in the reports area by not making clear how the transactions should be accumulated throughout the month so as to be available in the correct format to make the report in the most efficient manner. Under the circumstances of the new system, all levels did a commendable job in the short time frames allotted. The new manual, Financial Management of Resources, NAVSO P-3006, was published in March, 1968 for the new system which was implemented on 1 July 1969. Herein lies another problem.

Changes to the procedures

Implementation of Project PRIME on 1 July 1968 was directed by the Department of Defense (DOD). The implementation of changes on short notice is nothing new to the Navy accounting system. The Naval Audit Service expresses this point when it stated:

> One factor which contributes significantly to inaccuracies and inadequacies of the Navy accounting system is the apparent lack of preplanning, inadequacy of field testing, and short notice for implementation of new systems and procedures. This was true back in 1957 with the implementation of Phase 1 of accrual accounting within the Navy, and it is true today with the Resources Management System (RMS).[12]

Another factor which makes a change to the system more difficult to implement is the point that personnel responsible for making the change do not fully understand the mechanics or methodology of the present procedure before the change is made. Without this knowledge, the impact of a proposed change can not be predicted. Each AAA is responsible for interpreting the change and implementing it within his own local system. The Naval Audit Service attempted to obtain a feel for the problems activities were experiencing in implementing Project PRIME. The results were published in September, 1968, and revealed the following:

Problems observed in submitting RMS reports:
(results of sample to see if July, 1968 reports were submitted on time)

Report	Number of Activities	Reports Submitted
2168 (Detail)	24	3

[12]Review of the Navy Accounting System, p. 11.

2168 (Summary)	24	0
2169	24	1
2170	26	9
2171	26	7
2182	24	19

A. Thirteen out of seventeen machine programs needed for Project PRIME were not completed.
(1) FMSO Oakland was preparing programs for NSC's and NRFC San Diego was preparing programs for NRFC San Diego and Norfolk.
(2) Other activities preparing their own:
a. Programmers and accounting personnel were not familiar with Project PRIME.
b. Little preparation prior to 1 July 1968.
c. Extended time to submit June, 1968 reports.
d. Lack of information from major claimants (managers of AAA's).
B. Field level managers felt RMS reports were for higher level rather than field level benefit; therefore, enthusiasm was lacking.
C. NAVCOMPT allowed major claimants too much freedom in accounting and reporting requirements.
(1) Major claimants have altered RMS so that centralized programming was not possible.[13]

This report again points out the paradox of the present situation but it brings out the human element which has not been mentioned earlier. The accounting personnel in the field are a forgotten bunch. There has never been such a thing as participating programs which include these people. It is not difficult to understand why their reaction to Project PRIME has been somewhat negative. They have been directed to implement a very complex system in an unreasonable time frame. The selling job has been left to local supervisors who are not sold themselves, mainly because very little effort has been made to sell them.

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[13]U. S. Department of the Navy, Office of the Comptroller, Report of Review of PRIME Reports for July, 1968, Report No. S00119, September, 1968, pp. 2-3.

The changes required by Project PRIME have experienced problems which can be predicted for any future change of large magnitude. Although this change was not internally directed, it points out many flaws in the present system. The three organizational levels of NAVCOMPT, the major commands, and the field level AAA's are all entangled in the change process. First, NAVCOMPT published the change without a knowledge of the methodology of the old or new procedure. It is; therefore, published in broad or general terms. Next, the major commands interprets the change and passes his interpretation and additional requirements down to the AAA's. The AAA then implements the change in its own system. This last step is the most crucial. This is the first point in time where someone must be concerned with mechanics. The change results in another piecemeal add on or patch to the present system. Few AAA's have the resources to redesign their system each time a major change is to be implemented. In reviewing the end result, the change has been implemented utilizing as many different methods as there are activities. This is true because the basic structure or local procedures differ greatly between AAA's. A further problem is created because most AAA's do the accounting for customer activities which are managed by a major command other than the one which manages the AAA. Because most major commands interpret changes differently, their instructions to AAA's differ. Each major command desires that reports from all its managed field activities,

the majority of which are not designated as an AAA, be in the format it has specified. The problem then is that reports received for field activities which accounting is performed by an AAA outside its command, are received in a different format. The major command then directs its field command to request the AAA to submit reports in accordance with its format. The AAA is then faced with the problem of putting out one report in several formats in an attempt to please all the major commands having management authority over the customer activities. This situation reaches the impossible stage after about the second request for a deviation.

Local procedures

NAVCOMPT delegates the responsibility for local procedures to the major commands which in most cases pass it on down to the individual AAA. For mechanized systems, NAVCOMPT states that the managing major command decides on the type of equipment and should provide the AAA information on similar applications that may exist. NAVCOMPT does require that new systems be approved by NAVCOMPT before being implemented.

The truth of the matter is that, except for a few centrally programmed AAA's, the job of system design and implementation is left to the AAA. The history of mechanizing accounting activities has established a pattern whereby the ADP equipment was justified for the supply or inventory control function. Assistance was provided for

mechanizing this function only. The accounting function was added on to the equipment through the efforts of the local ADP and accounting personnel. Accounting was added one step at a time as a patch on to the processing already performed. The end result being a network of individual systems rather than a neat integrated single source input system. Activities performed their mechanizing efforts without help from outside sources, even though in many cases another activity had done basically the same job a few months earlier on the same type equipment. This problem of a lack of sharing of ideas or systems is not unique to the Navy or DOD. Mr. John R. Croxall, in his article "The 'Iron Curtain' of Federal Accounting," told of how two different governmental agencies, located only a stones throw apart, in Washington worked in developing an accounting system without knowledge of the other's effort.[14] In the article he told of the advantages of both systems and how it would have benefited both agencies to have shared in the development of the new computer accounting systems.

Because of this policy of requiring each AAA to develop its own system, the job of standardization has become more difficult. Of the questionnaires received, the only AAA's with any similarity in their job order structure were the supply centers under the Naval Supply Systems Command who has placed these centers on a standard central programmed

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[14]John R. Croxall, "The 'Iron Curtain' of Federal Accounting," Federal Accountant, XVII, (Washington, D. C.: Federal Government Accountants Association, March, 1968), pp. 13-25.

system. The job order numbering system has no compatability whatsoever. The only requirement is that the job order number not exceed twelve digits. Of those activities replying to the questionnaire, the job order numbers range from five to twelve digits with the digits having different significants for each activity, with the exception of supply centers. There were seventy-seven different data elements for the job order master record which were used at one or more of the thirty-five activities responding. Much of the problem causing such a large number were different activities identifying the same element by a different title. Twelve data elements were common to all activities responding, although the elements were not found in the same card columns of the eighty column card. NAVSUP standardized the common elements and their location which still left the individual centers with enough flexibility to meet local requirements.

Role of the major commands

The Naval Supply Systems Command is not the only major command attempting to standardize accounting within their management authority area. The Naval Air Systems Command, Naval Ships System Command, and Naval Ordnance System Command are also working toward this goal. An even further step toward standardization has been taken by the Chief of Naval Material, the headquarters command over the systems commands. The Chief of Naval Material has directed that the Naval Air Systems Command adapt the Uniform Automatic Data Processing System (UADPS) which was designed by NAVSUP and the system mentioned earlier as being operational for the

eight supply centers. In addition, the Commander-in-Chief, U. S. Pacific Fleet, is placing his three pacific area supply depots under the same system. This will place over 40 per cent of the 1,043 field activities under an AAA which is or will be under the UADPS.

Other major commands will soon have to establish a standard system for their subordinate activities. Whether or not they choose UADPS is strictly their decision. Although Marine Corps activities have not been included in the scope of this paper, it is known that the Headquarters of the Commandant of the Marine Corps is developing a system for its shore bases which is independent of UADPS.

The UADPS is a big step in the right direction; however, even with the expansion mentioned, it will cover less than 20 per cent of the AAA's. The AAA's still not included are mostly the smaller ones with ten or less customers. The majority of these activities are on a small volume with many located overseas. There is little hope in sight for a system which will include these activities. Many are managed by fleet commanders which do not have the resources to develop a system for the variety of AAA's under their command. These are the activities hurting the most from a lack of standard procedures at the AAA level.

Outlook for the Future

NAVCOMPT plans

The only NAVCOMPT plan known is Project SNAP which was discussed in Chapter III. The possibility of Project SNAP being implemented in the near future is unknown. As

mentioned earlier, it is doubtful that Project SNAP will alleviate the present situation. It will, for the most part, put the CONUS field activities, which are presently customers of the larger AAA's, under a new NAVCOMPT AAA.

Major commands

Major commands will increase their efforts to standardize the procedures for AAA's under their command as the need for such action becomes more apparent. However, it is doubtful that they will develop systems which will be compatible with each other unless NAVCOMPT steps in and requires them to do so. Again the activities which will be in need of the most help will find that they are on their own. These are primarily the smaller activities located overseas under the command of the fleet commanders.

Recommended Future Action

General

The first point to realize is that most individual AAA's do not have the resources, either in quality or quantity, to design and implement a standard system. Even if they did, one could not expect them to design like systems without further guidance in detailed mechanics.

The second point to take into consideration is that even though the size and operations of the AAA's vary, they could be placed in one of the three classes: (1) computer oriented; (2) EAM oriented; or (3) manual. Acceptance of this thesis could make it possible for three sets of operating standard procedures which all AAA's would fit.

The third point to consider is that there has been a tremendous amount of time put into systems already in existance. UADPS is a classic example and could be a big step toward standardizing computer oriented activities.

NAVCOMPT action

If NAVCOMPT were to establish the organization recommended in Chapter III, they would have on file the specific characteristics of each AAA. From this point, each AAA would be placed in one of the three operational categories. The next step would vary according to category.

Computer oriented activities

Computer oriented activities represent the largest problem because of the variety of ADP equipment installed. One solution to this problem is Common Business Oriented Language (COBAL). The programs would be completed centrally in COBAL so that any activity could convert the COBAL program to the program language of the equipment installed through the compiler program deck, which is included in the software package of their own computer. It is realized that the COBAL approach is not a tried and tested method; but, it has been proven workable outside the government to the degree that it warrants further investigation for this purpose.

It is recommended that the programming staffs at NRFC Norfolk and San Diego be expanded to complete the programs. NAVCOMPT would be required to work much closer with major commands to enable this system to work. The programmers employed by NAVCOMPT would have to work side by side with the NAVSUP programmers at the Fleet Material Support

Office in Mechanicsburg, Pennsylvania, and their branch offices in Norfolk and Oakland. Resources could also be requested from other major commands who would be working on the same project independently anyway.

Conversion to a standard system could not be expected overnight once a standard COBAL system were developed. Implementation may best be accomplished at the time of an update to third or fourth generation equipment. This would be a matter for NAVCOMPT to decide in coordination with the major commands.

The programming aspect has been discussed first by assuming that the UADPS system is workable and acceptable for all major commands with AAA's having computers. The first step would actually be the systems design. The UADPS system design should be used as a starter since the work has already been done and is well documented. However, it should be thoroughly reviewed by all concerned to insure it is workable under the wide variety of situations it will be faced with.

EAM oriented activities

The EAM oriented activities can best be helped by the sharing of systems presently installed. NAVCOMPT should investigate to determine the activity or activities with the best system in operation. Assistance should be given these activities to document, in detail, their system so that the documentation can be furnished to other EAM activities. The documentation should include wiring diagrams or centrally wired general purpose boards.

Manual activities

Procedures for manual activities are available in the RMS manual but need to be expanded. Again, sharing of ideas between similar activities would be helpful. Personal contact between NAVCOMPT, major commands, and field AAA's will help to point out weak areas requiring more detailed documentation.

Desk procedures

Individual desk procedures for each employee working in the accounting function is a goal which few activities have been able to attain. For the more progressive activities, the desk procedures are completed by the methods engineers working with employees. For activities without this capability, one method which has worked successfully is to have each employee write his own. This method works best if supervisors give the employees a week's notice of the plan. Employees are instructed to start with their input, list all processes applied to the input, list all checks and balances used in performing each operation, and a detailed explanation of the output. Employees are requested to list manual reference to steps which they apply. On the day the employees are to complete their procedures, the instructions are again given and they are expected to work only on the procedures until they have finished. The procedures are collected at the end of the day, are typed in the rough and returned to the employee to check. They are then given to the supervisor to review. Any questionable points are

discussed by the supervisor and the employee. The procedures are then typed in the smooth with one copy given to the employee, one copy to the supervisor, and a copy placed in the central file. The employee is given a folder for the procedures and his position description and is instructed to keep the folder in his desk so that procedures can be updated when required. This helps to get employee participation, is a source for good ideas, and gives a complete file of desk procedures.

Resources required

NAVCOMPT, the major commands, and the field activities are hard put for personnel resources. The funding picture is extremely tight with no relief in sight. Any improvement to the present system must come from available resources. The additional programmers required will cause a cutback somewhere else in the NAVCOMPT organization to make funds available for this purpose. It is hoped this is possible.

One extremely talented resource available to NAVCOMPT is the Naval Audit Service. An article written a few years ago by Mr. T. A. Wise mentioned the changing role of the professional auditor.[15] The big CPA firms have expanded their services to include management consulting. It may be possible to reduce the requirement - that each activity must be audited once every three years to once every four years - in order to free some of the most experienced auditors to assist in the effort to improve the accounting system.

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[15]T. A. Wise, "The Auditors Have Arrived," Fortune, November, 1960, pp. 151-157.

One other possible resource is the Manpower Validation Organization. The validation idea has not worked to the degree that it was hoped for. These resources could be put to better use on a massive Accounting System Improvement Program.

Even though the Navy is in austere funding climate, resources could be found if the need for improving the present system was considered as a high enough priority by top management in NAVCOMPT. The task of going to the aid of the AAA and strengthening the entire Navy accounting system is possible, but does require that everyone involved in the system adopt the goal of total system improvement and cooperate with NAVCOMPT. The biggest hurdle to reaching this goal is the major commands. Each major command has accounting systems and procedures personnel who would have to join forces with NAVCOMPT; thus, abandoning the autonomous or independent course they are now following. If all the resources of NAVCOMPT and the major commands were to join forces to attain this one common goal, it would be accomplished.

The Total Systems Approach

The discussion up to this point has largely been toward the improvement of the accounting system as it exist today. The Peat, Marwick, Livingston and Company report points up the need for a broader improvement program. The report states:

> The accounting system can narrowly be defined as a body of disciplined techniques for accumulating and reporting repetitive financial information. At this level alone there are numerous improvements in processing techniques, detailed procedures, forms design and elimination of redundancy that could be made in the present accounting system. Concentration on this aspect of the accounting system alone will not provide solutions to the criticisms noted above, however. Only if the Navy accounting system is considered in the context of the Navy's overall financial management processes can these criticisms be addressed.[16]

This statement is heartily endorsed. The task of achieving a total financial management program seems almost unattainable at first glance. But when one examines the programs inbeing and the possibility of intergrating these programs into one, the task does not seem as great. NAVCOMPT should act as the coordinator in the development of the total system and should take advantage of the various sub-systems already in existence. For example, a starting point would be the UADPS Supply and Accounting System, the Information System being developed by the Chief of Navy Material, the Afloat Supply and Accounting System developed by the Naval Supply Systems Command, the Afloat Consumption Cost and Effectiveness Surveillance System (ACCESS), the Maintenance 3M Program used both afloat and ashore, and the PML Developed Programs for partial mechanization of the Navy Budgeting Process and Appropriation Reporting Mechanized System.

The need for a total system is evident. An article by A. T. Spaulding, Jr. describes a typical problem oriented approach which identifies the position the Navy finds itself in today:

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[16]Peat, "Contract Summary," p. 12.

> While there are certainly some attractive features of the problem-oriented approach, it has the major disadvantages of creating a "patchwork" situation. That is, it only patches up the weak spots in the overall system. When this approach is used long enough with no attempt at basic or total system design, systems incapatibility usually occurs. The various systems end up cutting across each other. This creates duplication of effort, decreases efficiency, in short, increases costs.[17]

Mr. Spaulding goes on to define the total systems concept as:

> an approach to information systems design that conceives the business enterprise as an entity composed of interdependent systems and sub-systems, attempts to provide timely and accurate management information which will permit optimum management decision making.[18]

An article titled "Management in the 1980's," written by Mr. Harold J. Leavitt and Mr. Thomas L. Whisler, describes the functions of management in the 1980's under a total systems concept which they saw as the system of the future ten years ago.[19] Based on the progress in the first ten years toward a total systems concept, their prediction on management in the 1980's will become a reality in the 1970's.

The importance of the development of a total system can not be overemphasized. This approach can reverse the autonomous tends; whereby, each major command is becoming an end in itself rather than all pulling together for the good of the Navy. To successfully develop such a system

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[17]A. T. Spaulding, Jr., "Is the Total Systems Concept Practical?," Management Systems, ed. Peter P. Schoderbek, (New York: John Wiley and Sons, Inc., 1968), p. 150.

[18]Ibid.

[19]Harold J. Leavitt and Thomas L. Whisler, "Management in the 1980's," Harvard Business Review, December, 1958, pp. 41-48.

requires the cooperation of the whole Naval establishment. NAVCOMPT needs the pull of the position of Assistant Secretary of Navy (Financial Management) to bring the major commands together so that the needed cooperation can be attained.

This is the magnitude of problems NAVCOMPT has before it. It more than has its hands full in the area of systems development without attempting to manage field AAA's completely as is recommended by the proposed Project SNAP.

CHAPTER V

DISCUSSION OF REPORTING PROBLEMS

General

In the Naval Audit Services's review of the Navy accounting system, it was noted that over 500 recurring reports were being prepared by Navy activities to meet reporting requirements existing from within and outside the Navy.[20] This figure represents the total number of reports submitted by all types and levels of Navy activities. It does not represent only those reports submitted by accounting activities; however, it does point out the fact that little or no control is placed on reports. All major commands may initiate a requirement for a new report and often do so without an investigation of the reports already in existence. The Naval Audit Service reviewed about 100 out of the 500 reports to determine: what use is being made of the reports; if continued submission was justified; and, if the reports could be streamlined to reduce the work load of the submitting activity.[21] The task proved to be extremely difficult because in many cases recipicants could not be determined. However, the review did recommend that thirty-one reports

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[20] Navy Accounting System, p. 27.

[21] Ibid.

either be eliminated or reduced in frequency of submission.[22]

The review discovered many reports were required because of the recipicant's desire to have the information available to answer questions which might occur. Other reports were required to report the magnitude of a problem area. This type of report is normally required at the peak of the problem but the command placing the requirement on subordinate activities fails to cancel the report after the requirement has disappeared. It is easier and less risky for key personnel in a headquarters command to require a new report than to cancel an old one. The reporting activity seldom questions the need for reports for fear of offending a senior command. Consequently, many reports are submitted that have outlived their usefulness.

Standardization of Reports

Two problems exist in report standardization. The first problem is the standardization of reports so that all funds are reported the same no matter what their source. An example of a lack of such standardization is the present dual reporting system of allotment accounting for prior year reports and current fiscal year reports for all annual appropriations other than the O&MN appropriation, which is reported under the Project PRIME phase of the new Resources Management System. Therefore, the AAA's are currently submitting reports under two separate and distinct systems.

The second problem is to enforce the use of a

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[22]Ibid., pp. 1-3.

standard form once it has been established by NAVCOMPT. Thirty-nine per cent of the AAA's responding to the questionnaire reported that they have been requested to produce RMS reports in a format different from that directed by NAVCOMPT. Many other AAA's produce reports in accordance with the directions of their managing headquarters command instead of in the standard format prescribed by NAVCOMPT.

Another problem exists in the design of standard forms. Even though reports are standardized, they duplicate information submitted in other standard reports. One example of a duplication is the information submitted on the monthly RMS report Operating Budget Expense Report (NAVCOMPT Form 2168) and the Facilities Maintenance Cost Analysis Report (NAVCOMPT Form 2150). Reports are designed to provide information for a narrow scope rather than being for the total system whereby one report could provide information to many different high level commands for more than one purpose.

Complexity of Reports

The management reports required by the new Resources Management System, NAVCOMPT Form 2168, NAVCOMPT Form 2169, and the Facilities/Equipment Cost and Analysis reports are extremely complex reports. They require the accumulation of detailed cost accounting information plus feeder information from the customer activity being reported on. In the majority of cases, the individual accounting activities are expected to design the procedures to accumulate cost

accounting information through a job order structure. There is no standardization of the job order structure and the methodology utilized varies tremendously between AAA's. The average number of job orders established per customer for those activities responding to the questionnaire is 522. However, this number varies between AAA's from a low of 30 job orders per customer to a high of 3,240. In many cases the reports are inaccurate and submitted late. This situation will not change until the AAA is given some assistance. The reports are so complex that the design of procedures required to set up the accumulation system to make the reports exceeds the capabilities of the personnel resources of the AAA.

Another complexity problem exists in understanding the reports once they have been prepared. Customer activities have made little use of the management reports for this reason. The feeling, in the field by AAA's and customer activities alike, is that these reports are designed for the use of major commands and provide little or no useful information needed at the field level.

Time Frames

The response to the questionnaire pointed out the difficulty AAA's have meeting report due dates. The respondents spend an average of 20 per cent of the total man-hours available each month on end-of-the-month reports. Financial reports are due to the recipient no later than the thirteenth of the month following the month being reported. RMS

management reports are due on the fifteenth. Forty-eight per cent of the AAA's responding cut off on average of three working days early on material documents and five working days early on public vouchers in order to meet the due dates. Major commands are quick to reprimand subordinate activities which are late in submitting reports. Many AAA's find the situation impossible. NAVCOMPT directives require reports to cover the entire month being reported and major commands are very strict on enforcing compliance with report due dates. The activities which do cut off early have found from experience that reports can not be prepared in the time alloted without the use of overtime. Most of these activities are semi-mechanized which means that the documents are processed through the ADP facilities; however, extensive manual effort is required. For example, all expenditure listings received from data processing must be matched manually item by item with obligations. This is a very time consuming process. After all listings have been posted and the ledgers closed for the month, each type of expenditure must be balanced with appropriation reports submitted by the Stores Return Branch to insure all items have been received and posted correctly. An adding machine tape must be run on outstanding obligations or unfilled orders to insure the file balances with the figures on the ledgers. If overtime is not allowed due to insufficient overtime limitation or funding, these activities are faced with the decision of whether to violate the NAVCOMPT directive preventing early cut off or to skip

one or more of the vital steps in document processing or ledger balancing. Experience has proved that violating the early cut off directive is the least harmful of the two alternatives.

The end-use accounting process is the end of a long line of operations which involves inventory control, data processing, and inventory or stores accounting. Any problem of backlog in these areas causes delay to the input of the end-use accounting section. It often takes as long as five or six working days to push end-of-the-month documents through all these other operations. The attitude of higher level authorities has often been one of "don't bother me with the details" just get the reports in on time. It is true that the procedures utilized are not always the most efficient but they lack the personnel resources locally to redesign and reprogram the system.

The Expenditure Reconciliation Report

One example of how reports come into existence and how they are used is the Expenditure Reconciliation Report (NAVCOMPT Form 2036). In 1959, the Navy was criticized by the Government Accounting Office (GAO) for the growth of undistributed expenses. An undistributed expense is one which has been paid and reported to the departmental or headquarters command; but, has not been charged off on the ledger of the end-use activity by the AAA. It supposedly represents a backlog or negligence on the part of the AAA in posting expenditure documents to their end-use fund

resources ledger.

The disbursement system is organized so that all expenditures are either made by or reported through a Navy Regional Finance Center (NRFC). The accounting information on each supporting document is key punched daily by the NFC's or NRFC's. The information is processed and printed out on a NAVCOMPT Form 634 which segregates expenditures by type, activity, and AAA. The NAVCOMPT Form 634 is matched with the supporting document and mailed to the AAA. NAVCOMPT has established a standard of five days from the date the disbursement is made to the date the NAVCOMPT Form 634 and the source document is mailed to the AAA. At the end of the month, a summary of all disbursements made for each allotment is sent to the Departmental Accounting Activity to show what disbursements have been made for the month. If there was no time lag at all in the process, the summary of disbursements made by the NFC/NRFC's should agree with the financial statements (NAVCOMPT Form 2025 or NAVCOMPT Form 2170) the Departmental Accounting Activities receives from the AAA. Any difference is listed as undistributed disbursements.

The Reconciliation Report (NAVCOMPT Form 2036) is then prepared for each allotment or operating budget by the AAA. The NAVCOMPT Form 2036 is completed after the financial statements are completed and must be mailed to the Departmental Accounting Activity by the last day of the month following the month being reported. The NAVCOMPT Form 2036 is a reconciliation of the NAVCOMPT Form 634 received from the NFC/NRFC's and the ledger. The NAVCOMPT Form 2036

indicates expenditures which are listed on the NAVCOMPT Form 634 and not posted to the ledgers or expenditures posted to the ledger but have not been indicated on a NAVCOMPT Form 634. The total undistributed expenditures indicated in the NAVCOMPT Form 2036 should agree with the undistributed amount which the Departmental Accounting Activity arrived at by comparing the summary received from the NFC/NRFC's and the financial reports received from the AAA's. The NAVCOMPT Form 2036 also indicates the cummulative total amount of undistributed expenses and the month each was first reported as undistributed. The AAA must take action to clear these amounts if they are known to be erroneous or to request a NAVCOMPT Form 634 from the paying activity if the amount has been listed as undistributed for three months. The NAVCOMPT Form 2036 does not correct the situation; but, does require the AAA to reconcile so that corrective action can be taken. The AAA's have submitted the NAVCOMPT Form 2036 on time as required; but, have failed to continue the process by taking the needed corrective action. The NAVCOMPT Form 2036's are completed on the last day of the month which means the AAA personnel must drop the follow-up action that the report indicates should be taken to start the end-of-the-month reporting process for the next month. The AAA is required to list what corrective action has been taken for undistributed amounts over three months old; but, this requirement has done little to solve the problem.

Three Departmental Accounting Activities were visited in the Washington, D. C. area to determine what was

done with the NAVCOMPT Form 2036 when received at the departmental level. In all three activities, the NAVCOMPT FORM 2036 was sent to Data Processing to be included in a monthly analysis report. In each case, only one figure was used on the NAVCOMPT Form 2036: the undistributed expenditures for the current month. This figure was included in the analysis report along with the figure received as total expenditures from the NFC/NRFC's and the amount of expenditure as reported on the financial statements received from the AAA's. This analysis listing tells if expenditures and undistributed expenses are in agreement. Nothing was done with the aging information. Since the AAA is the only activity which can take action to reduce the undistributed expenditures, the only action a Departmental Accounting Activity could take is to send a letter to the AAA directing them to do the job which the NAVCOMPT manual has already directed them to do. Therefore, the only real purpose for sending the NAVCOMPT Form 2036 to the appropriate Departmental Accounting Activity is to prove that the AAA has analyzed the situation as required. It is similar to a teacher requiring students to turn in their homework to prove that they have done it.

If the intent of the NAVCOMPT Form 2036 were followed, there would not be an undistributed problem in the magnitude it is today and there would be no need for it to be forwarded to higher authority. A review of the undistributed situation from 1962 through 1968 is shown in Chart 5-1.

CHART 5-1

FISCAL YEAR	TOTAL DISBURSEMENTS 30 June ($ IN THOUSANDS)	PER CENT OF INCREASE	TOTAL UNDISTRIBUTED DISBURSEMENTS 30 June ($ IN THOUSANDS)	PER CENT OF INCREASE
1962	18,752,576	100%	38,000	100%
1963	21,087,701	113%	115,000	303%
1964	20,851,975	111%	120,000	316%
1965	19,692,643	105%	150,000	395%
1966	23,011,791	123%	538,000	1,416%
1967	26,975,859	144%	754,000	1,984%
1968	30,431,499	162%	1,451,000	3,818%

The amount at end of Fiscal Year 1962 is used as a base for measurement of change in subsequent years. (Taken from the Analysis of Undistributed Disbursements Fiscal Year 1962 through Second Quarter Fiscal Year 1969 Report dated 20 February 1969, prepared by Project Management Division, NAVCOMPT).

Based on Chart 5-1, it can be stated that the present reporting system has not solved the problem. The Naval Audit Service estimates that some 75,600 NAVCOMPT Form 2036 reports are received by the four system commands alone.[23] The total number submitted within the whole accounting system could reach as high as 40,000 per month. The standard established for time required to complete one report as determined by the Naval Supply Depot, Mechanicsburg, Pennsylvania, is 1.02718 hours.[24] These reports are manually

[23] Ibid., p. 44.

[24] U. S. Department of the Navy, A Report Presenting the Results of a Methods Engineering Maintenance Review of the Fiscal Department, Accounting, Timekeeping and Payroll Divisions, Naval Supply Depot, Mechanicsburg, Pennsylvania, 1966, Budget and Standard Number 412-8.

prepared at all AAA's. These figures show that it cost the Navy over one half million dollars per year just to complete the NAVCOMPT Form 2036 which, as stated earlier, is only the starting point for solving the problem.

The Navy has recognized the point that the present system is not working. SECNAV INSTRUCTION 7301.14 of 26 March 1968, called this problem to the attention of the AAA and set forth revised procedures for reporting expenditures. The revised instructions direct the AAA not to close its books on expenditures until the fourth day of the following month so that more expenditures could be processed and reported. Evidently, the fact that half of the AAA's were already cutting off five days early to meet report due dates was either ignored or not known.

The SECNAV Instruction did not try to determine the problem with the present system; but, merely placed more strict requirements on an already unworkable system. The results one year after the publication of this instruction proves that it was ineffective.

This situation shows the lack of communications and understanding between NAVCOMPT and the AAA's. The undistributed situation will not get better until assistance is given the AAA's in local procedures. The AAA's are forced to spend their time in processing documents and making reports. There is not sufficient time left after these major tasks to clear undistributed expenses or validate outstanding obligations. NAVCOMPT can reprimand these activities every month for not adequately completing this task but the

reprimand will not produce results. The undistributed expenses must assume a lesser priority than processing obligation documents and making reports. NAVCOMPT has been at fault for not realizing that the present reporting requirements will never produce the desired results. In discussing the problem with the individual who wrote the original procedure requiring the NAVCOMPT Form 2206, he stated that he was not aware the procedure was not working. He receives no feedback once the procedure is written and placed in operation. He had not seen the Naval Audit Service Review of the Navy Accounting System issued on 3 May 1968.

The reconciliation system should be studied from start to finish to determine a better process. The best time to reconcile may be at the time the financial reports are prepared. The following questions should be studied in developing a new approach:

1. Is total reconciliation necessary?

2. Can a mechanized system be developed to speed the process?

3. Should expenditures be reported in a different format to isolate the problem areas?

Another point to consider is the magnitude of the present problem. From the figures in Chart 5-1, it appears that even though undistributed disbursements are growing, it is questionable whether or not the situation is as critical as NAVCOMPT states. For example, when the $30,431,499,000 is divided by 252 working days per year, it gives an average of

$120,760,000 disbursed daily. Dividing the $1,451,000 undistributed by the daily average of $120,760,000, it indicates that the total undistributed expenditures represents 12 working days of disbursements. The total undistributed expenditures represent 4.8 per cent of total disbursements. It is understood that undistributed expenditures are at their lowest level on 30 June; because, of the additional time given the AAA to close the books for the year. This adds strength to the fact that more time is required to prepare end-of-the-month reports so that they reflect actual transactions for the month. At any rate, it is difficult for key personnel at the AAA's to be enthusiastic about solving the undistributed expenditures problem when comparing it to other problems they are facing.

Summary

The causes of the reporting problems are merely a carry-over of those found in the procedural area. There is a lack of central control of the number and contents of reports which would produce a standard reporting system. The AAA is rushed to complete the reports in the time allotted, thereby, placing little emphasis on the quality or validity of input used to make the reports. The fact that AAA's use such a variation of job order structures detracts from producing a standard report. If the recommendations listed in Chapter III and IV were initiated, the reporting problems would be partially resolved also. Again

the need for a total systems approach looms as the best long run solution to the problem with an increase in communication, sharing of ideas and problem solutions between activities as best in the short run.

CHAPTER VI

DISCUSSION OF OTHER PROBLEMS

Review of Outstanding Obligations

The problem of validating outstanding obligations has been with the Navy since the time obligation accounting was first conceived. The task of matching each expenditure being processed with an obligation is a difficult one; but, an important one. If the expenditure is processed without liquidating the obligation, it results in reducing the funds available two times for the same item. NAVCOMPT directs that obligations will be validated on 30 June each year and at least two additional times throughout the fiscal year. Invalid obligations are the most repetitive discrepancy found by the Naval Audit Service in field audits of accounting activities.

The task of validating outstanding obligations is difficult, time consuming, and requires the close cooperation of Receipt Control, the customer activity and accounting personnel. It involves checking each obligation document which is over ninety days old with the Receipt Control Section of the supplying activity to see if their records indicate if the item is still outstanding. If Receipt Control indicates the item has been received, the investigation must then determine if the receipt document has been

processed and charged against the appropriate allotment. The search for the receipt document entails reviewing past records around the date of receipt. If the item was purchased, the search entails finding the paid voucher which often times means writing to the finance office for copies. Determining whether or not the item has been received is the easiest part of the process. Finding the expenditure is the most difficult and vital to insure that the item is charged once. Listings of outstanding obligations are often times sent to the customer activity for verification if local procedures call for the customer activity to receive material direct.

The problem of outstanding obligations, or unfilled orders as they are now called under Project PRIME, may disappear in Fiscal Year 1970, if RMS shifts to accrual accounting. However, if the end-use system does shift to accrual accounting, the problem will only shift to the Navy Stock Fund which will be required to obligate stock fund money instead of end-use money.

Although the Navy Audit Service has continued to reprimand accounting activities over the years for having excessive invalid obligations, neither the Audit Service nor the NAVCOMPT procedure section has attempted to improve the present procedures. Such possibilities as sampling techniques or canceling all obligations at the close of the fiscal year may be feasible but have never been suggested or tried by these people. It appears that when a

discrepancy is reported with this regularity and frequency, it would be clearly apparent that the field accounting activities need a better procedure to solve the problem. NAVCOMPT action has been similar to that of the undistributed disbursement problem which is to add policing directives on top of policing directives to enforce the present procedure.

Of the activities responding to the questionnaire, 91 per cent stated that the time spent validating outstanding obligations was time well spent. However, 30 per cent of the activities also stated that it was an impossible task to complete properly. The activities responding spent an average of 3.6 per cent of the total man-hours available per month on validation of outstanding obligations. All felt more time was needed to do a better job, but the lack of resources prevented the allocation of more time to this area.

The best solution to the problem is sound day-to-day procedures for the processing of expenditure documents. This again comes back to the need for integrated standardized local procedures for the AAA. Validation of all obligations is feasible with ADP equipment if the supply and financial systems are integrated and compatible. The fact remains that this is only a possibility if NAVCOMPT and the major commands work together toward attaining this goal.

Customer Field Activities

The average customer field activity has a comptroller

with a small staff of three or four people. The comptroller maintains memorandum records which duplicate to some degree the records maintained by the AAA. These records are designed to provide unofficial figures on fund status which fill the time gap between the date the transaction takes place and the time a report is received from the AAA denoting the transaction has been recorded on the official records. The comptroller reconciles his memorandum records to the official records maintained by the AAA each time a report is received by the AAA. NAVCOMPT does not stipulate the format or how extensive the memorandum records should be. They do recommend that these records be kept to a minimum to be used only to fill the time gap between the transaction date and the date it is reported back by the AAA.

The frequency by which the AAA reports the status of funds to his customers varies. The following information summarizes the reporting frequency of those activities responding to the questionnaire.

CHART 6-1

FREQUENCY OF REPORTS	PER CENT OF ACTIVITIES RESPONDING
Once per month	36.4
Twice per month	18.2
Three times per month	9.1
Weekly	24.2
Twice weekly	3.0
Daily	9.1
	100.0%

The minimum number or types of reports submitted to customer activities is one or more copies of the reports submitted to higher authority plus some type of local report listing charges by job order. Of the activities responding to the questionnaire, 70.6 per cent submit additional reports over this minimum to their customers. The majority of these reports are generated by data processing and give more detail on labor and cost accounting information.

The relationship or rapport between the AAA and its customer activities varies; however, in many cases there is a lack of communication, understanding, and cooperation. The personal relationship at this level is most important. Although the questionnaire did not specifically request information as to the relationship with customers, many activities commented on the lack of knowledge, over dependence and uncooperative attitude of customer activities. This is a problem which can only be addressed locally.

The Naval Audit Service has been critical of the growth of the memorandum records maintained by customer activities. They state that this situation causes unnecessary duplication of records and covers up any shortcoming of the AAA such as inaccurate and untimely reporting. The customer activity has put less and less trust in the validity of the AAA reports by increasing his own record keeping capability. This criticism is directed at the customer activity for expanding their memorandum records and to NAVCOMPT for not specifying what memorandum records should be kept. The

criticism seems more valid against NAVCOMPT than it does against the comptroller of the field activity. If no system is provided, the aggressive comptroller is going to attempt to collect and analyze all the information possible to enhance his command decision-making processes. Also, Navy Regulations and various public laws set forth penalties for over expenditure of allotted funds. It is, therefore, understandable and should be expected that each commanding officer will take steps to insure he has timely and accurate information on the status of his funds. If the system does not provide for this need, it is predictable that he will develop the capacity within his own command to provide it.

Departmental Accounting Activities

Departmental Accounting Activities are the activities that perform the accounting function for the major commands. These activities receive the reports rendered by the AAA's for field activities under their managerial authority. The information contained in the financial reports received from the AAA's is consolidated and reported to the Navy Finance Center, in Washington, D. C., which maintains the central books of the Navy for NAVCOMPT.

The major command does not always perform its own accounting function. For example, NRFC Norfolk and NRFC San Diego perform the departmental accounting functions for CINCLANTFLT and CINCPACFLT, respectively. Also, the Naval Station, Washington, D. C. performs departmental accounting

for the CNO while acting as the AAA for forty field activities. The departmental accounting for the System Commands under the Chief of Naval Material has been consolidated under the Naval Material Command Support Activity (NMCSA). This consolidation idea has merit but has not been as successful as it should have been: again, due to the autonomous attitude of the Systems Commands.

Most of the problems found in the AAA's also apply to the Departmental Accounting Activities, although to a lesser degree since they are small in number and less starved for resources. The reporting of the Departmental Accounting Activities to the Naval Finance Center, Washington, D. C., is more standardized than the reports submitted by the AAA's to the Departmental Accounting Activities. Each Departmental Accounting Activity is responsible for its own internal procedures and ADP programs.

Project SNAP envisions placing the departmental accounting function under a NAVCOMPT managed NFC or NRFC. This portion of Project SNAP is not only feasible but highly recommended. This action would be a big step toward standardizing reporting from the AAA's to the departmental level. However, it will receive opposition from the major commands and may never become a reality for this reason.

The Naval Audit Service

The Naval Audit Service performs the internal audit function for the Navy. It is able to maintain a standing of

independence through the organization link to the Assistant Secretary of the Navy for Financial Management. The Audit Service performs the following types of audits.[25]

Service Wide Audit

This type audit examines a problem affecting some segment of the Naval establishment. It studies the problem in whole or in part at selected activities and organizational levels throughout the Navy and/or Marine Corps. Usually these problems are of major significance and have an impact on one or more aspects of resource utilization. The service wide audit is normally conducted by all six area audit offices and coordinated by the Auditor General.

Regional Audits

Regional audits are similar to the service wide audit except they are limited to one region and conducted by a single area audit office. The regional audit examines a single problem at several activities contained in that region.

Activity Audits

The activity audit is conducted at some 500 Navy and Marine Corps activities on either a continuous or periodic basis, depending on the size of the activity. The periodic audit is presently conducted on a three year cycle. The continuous audit of the large activities, such as Naval Air Stations, Supply Centers, or Shipyards, also takes about three years on a continuous basis to complete. Findings are

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[25]E. K. Auerbach, Captain, Supply Corps, United States Navy, Address to Officers enrolled in the Navy Graduate Financial Management Program at the George Washington University, Washington, D. C., 25 March 1969.

which 75 per cent of the auditors have attended on one or more occasions.[29]

The Naval Audit Service is the most dynamic and innovative segment of the NAVCOMPT organization. These ambitious recruiting and training programs are paying dividends. The service can be of great help to the AAA through the periodic audit if the audit is received with the proper attitude by the AAA. The relationship should be one of openness and of seeking help rather than of attaining the most attractive report.

The audit reports are not utilized in their fullest capacity by the major commands or the procedures side of NAVCOMPT. Discrepancies uncovered by the auditors should provide a feedback to personnel responsible for writing procedures. When the same discrepancy is noted at a wide range of activities it should indicate that the procedure should be thoroughly reviewed and changed. Past occurances of this situation has merely set off voluminous nasty policing directives accusing all activities of not following the procedures as written. Little or no thought appears to be given to the possibility that the procedure may be the core of the problem. Unfortunately, the audit service does not presently have any role in procedure writing or standardization.

The Naval Audit Service was criticized by the Peat, Marwick, Livingston and Company for not penetrating the

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[29]Ibid.

problem sufficiently in it's report on the Review of the Navy Accounting System.[30] This criticism may have some merit; however, the audit service did call each situation as it saw it even though it was being critical of the NAVCOMPT organization. The review was generally accepted by Peat, Marwick, Livingston and Company, and it is wholeheartedly supported by the questionnaires received from the AAA's. Unfortunately, there is little evidence of the implementation of the recommendations of the report.

The role of the Naval Audit Service is to provide an internal audit program for the Naval establishment. One important function of the internal audit report or the output of the audit service is to provide a feedback in the performance of the system. The output is provided, but it is not being utilized to measure the effectiveness of the system. The lack of utilization is evident by the lack of appropriate recommended corrective action.

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[30]Peat, "Contract Summary," p. 1-1.

CHAPTER VII

CONCLUSIONS

The Authorization Accounting Activities are the foundation of the accounting structure for the Navy Shore Establishment. It maintains the original books of entry, posting labor, and material charges for the daily operations of the customer activities. The financial reports rendered by the AAA are consolidated by the Departmental Accounting Activities and the Navy Finance Center, Washington, D. C., for submission to the Department of Defense, Bureau of the Budget, and the Treasury. The financial and management reports are used in budget preparation and review, and for the evaluation of performance of managers at the field and departmental level. These reports play a vital role in managing and controlling of the Navy.

Examination of the internal operations of the AAA has indicated little similarity in procedures utilized even though all start with this same input and produce nearly the same output. The reason for this wide variety is the policy requiring each AAA to develop it's own local operating procedures. This policy has caused each AAA to design his own system independently resulting in a non-standard system. This policy has also ignored the growing

complexity of the system and the use of ADP equipment, which has pushed this task of system development and design beyond the capabilities of the personnel resources available at the AAA.

A few major commands having management responsibility over one or more AAA's have recognized this problem and have designed and programmed ADP systems to assist the AAA. These systems have integrated the accounting function into the total logistic or support program. The only drawback is that the major commands are developing centralized systems independently which still leaves the accounting function a long way from the goal of being standardized.

NAVCOMPT's proposed solution to this problem is Project SNAP. If Project SNAP were implemented, NAVCOMPT field activities would perform both the departmental and field level accounting. This plan appears to be feasible and desirable at the departmental level; however, it does not appear as attractive at the field level. One drawback for implementing Project SNAP at the field level is the separation of stores and allotment, or operating budget, accounting. Accounting should be included in the total logistics support package at the field level. New systems should be total systems requiring only one input to issue material or pay employees, update internal records, and produce required reports. Segmenting each process is not as efficient and is more complex.

NAVCOMPT would be better advised to act as a

coordinator assisting major commands and their field AAA's. Standard operating procedures should be developed by NAVCOMPT and representatives of the major commands for computer oriented, EAM oriented, and manual AAA's. This would be a long-run approach taking four to five years to complete. In the short-run, NAVCOMPT should collect data from each AAA on its operations, machine capabilities, volume of work, personnel status, and problem areas. Once this information is received and activities are categorized by ADP capability, NAVCOMPT should act as a vocal point directing activities with similar problems to work out solutions together or for one activity to take advantage of a solution employed by another activity which has experienced the same problem in the past. NAVCOMPT must work closer with major commands in developing a standard system which all can live with. Once the system is developed, variation should not be allowed. The recent past has proved that standard systems are met with resistance from development through implementation but are workable and more efficient once operational.

The AAA's, taken as a whole, are not performing the quality service in terms of accurate, timely, and complete reports which their customer field activities or the headquarters, bureaus, or offices desire. The service rendered by the AAA is deteriating rather than improving. Field activities are expanding and placing more reliance on memorandum records and the major commands are settling for incomplete information. The AAA's have been victimized by

the growth of a complex system and complex ADP equipment which has surpassed the capabilities of their own personnel to master. Due to these increases in complexity, NAVCOMPT and major commands must accumulate adequate resources to provide standardized procedures for the NAA's from a centralized source. NAVCOMPT must take the lead as the coordinator and supervisor of the development of the procedures to insure uniformity. The situation is less than satisfactory now and will continue to decline until a major accounting system improvement program is initiated to reverse this trend.

APPENDIX I

January 2, 1969

Dear Sir:

As part of my work toward fulfilling the requirements for a Master's Degree in Business Administration in the Navy Financial Management Graduate Program at George Washington University, I am undertaking a survey of the resources and local operating procedures of Authorization Accounting Activities. This survey will provide needed input to my research project whose purpose is to define the role of the Authorization Accounting Activity in accounting for end-use funds issued to Navy Shore Activities. It is hoped that this project will identify the major problems experienced by accounting activities in meeting the increasing demands of the major claimants issuing the operating budgets, NAVCOMPT, and the Comptrollers of the customer field activities.

You are requested to complete the attached questionnaire and return it in the enclosed self addressed envelope as soon as possible. The information requested will not be used officially; therefore, the opinions given should be your own based on your personal experience. Constructive criticism and/or suggested improvements to the present system are encouraged. Your reply will not be divulged or referenced individually in my research paper without your written approval.

Your assistance in this survey is greatly appreciated.

Sincerely,

James W. Brown, LCDR,SC,USN
5807 Dawes Avenue
Alexandria, Virginia 22311

SURVEY OF NAVY AUTHORIZATION ACCOUNTING ACTIVITIES

Name of Activity:_____

PERSONNEL

1. Rank/Grade of Fiscal Officer:_____

2. Rank/Grade of Assistant Fiscal Officer:_____

3. Rank/Grade of Supervisor of the Cost & Reports Branch:
(or equivalent organizational component performing end-use accounting and preparing management reports):_____

4. Number of personnel in Cost & Reports Branch:
(Average number onboard):

	Appropriation & Control Section (Maintains end-use accounts)	Job Order & Reports Section (Maintains JO files and makes reports)
SKs	_____	_____
GS 8	_____	_____
GS 7	_____	_____
GS 6	_____	_____
GS 5	_____	_____
GS 4	_____	_____
GS 3 & Under	_____	_____
TOTAL	_____	_____

5. In your opinion, is this enough people to complete assigned tasks?_____

6. If not, number and grades of additional personnel required:_____

_____

AUTOMATIC DATA PROCESSING (ADP)

1. Are Automatic Data Processing facilities available?_____
   (If ADP facilities are not available, move on to next section).
2. Manufacturer and type of central processing unit:_____
3. Per cent of total ADP time available devoted to processing fiscal work:_____
4. Is ADP programming accomplished by your activity?_____
5. Is it difficult to change an existing program or to have a new program written?_____
6. Are distributions and reports produced by the Data Processing Department timely and accurate?_____
   If not, explain:_____
   _____
   _____
7. In your opinion, could more fiscal work be processed by ADP equipment if the equipment and programming time were available?_____
   If yes, in what areas:_____
   _____
   _____

WORKLOAD INFORMATION

1. Number of Fiscal Year 1969 Operating Budgets and Fund Resource Ledgers maintained:_____(Do not include individual reimbursable accts.)
2. Number of Fiscal Year 1968 Fund Resource Ledger Accounts (One per BP) maintained:_____
3. Number of Fiscal Year 1969 Reimbursable Orders received:

4. Average (estimated) number of new unfilled order documents processed monthly:_____

5. Average (estimated) number of public vouchers processed monthly:_____

6. Average (estimated) number of expenditure documents (NSA & Interdepartmental charges) processed monthly:_____

7. Number of Fiscal Year 1969 job orders presently in your active file:_____

REPORTS

1. Does your work load require you to cut off prior to the last working day of the month in order to meet report due dates?_____

   If yes, give number of days: _____Material Documents

   _____Public Vouchers

2. Estimated per cent of total labor hours expended in the Appropriation & Control Section devoted to preparing end of the month reports:_____

3. Estimated labor hours per month required to prepare the Expenditure Reconciliation Reports (NAVCOMPT FORM 2036):

   _____

4. Number NAVFAC Management Reports submitted: Monthly_____ Quarterly_____ Semi Annually_____ Annually_____

5. Estimated number of man hours devoted to NAVFAC Management Reports: Monthly_____ Quarterly_____ Semi Annual_____ Annual_____

6. How would you rate the quality of the NAVFAC reports prepared by your activity: Excellent____ Adequate_____ Poor_____

7. Do you provide your customer activities with any reports other than those required by higher authority?_____
If yes, please list:_____

_____

8. How many times per month are you able to notify customer activities of his up to date balance of unexpended funds?_____

9. Have you been requested by any customer activity to modify the format of any of the reports required by P 3006 to comply with special requirements of the customer activity's headquarters command?_____
If so, please list customer activity and his headquarters command:_____

_____

PROCEDURES

1. In your opinion, are instructions issued by higher authority concerning changes to existing procedures or implementation of new procedures adequate?_____

2. Do you normally receive assistance on interpretation or clarification of these instructions?_____
If so, from whom?_____

_____

3. Do you think NAVCOMPT could do more in establishing and standardizing procedures for the Authorization Accounting Activity?_____
If so, in what areas:_____

_____

_____

MISCELLANEOUS INFORMATION

1. Estimated average number of man hours devoted per month to validating outstanding obligations or unfilled orders:_____

2. In your opinion, is this validation time well spent or do you believe it is almost an impossible task to complete properly?_____

3. Please list a sample job order number under your local structure and explain the meaning of each digit:_____

_____

_____

4. In your opinion, is the accounting function given the commend attention and support necessary to accomplish assigned task in the best or most efficient manner:_____ If no, explain:_____

_____

5. Please list the data elements contained in the Job Order Master record on the form provided on page 6.

6. Please list any other information which you think necessary to provide a better understanding of the problems of an Authorization Accounting Activity:_____

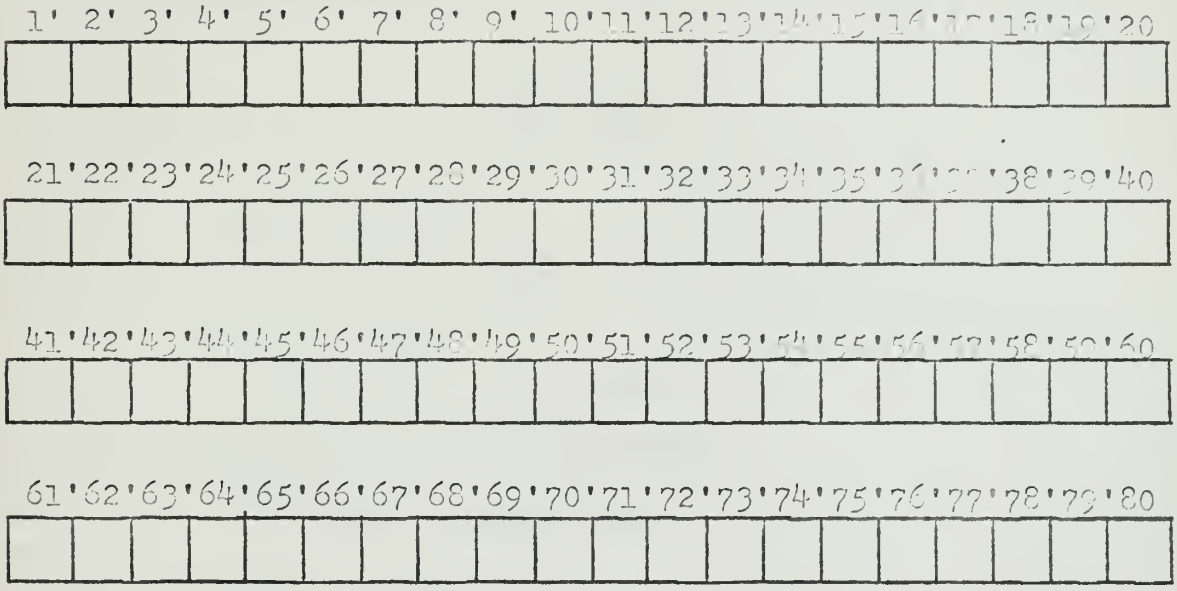
_____

_____

NOTE: It is understood that some of the information requested will be difficult to obtain. If it is not feasible to obtain some of the requested information please either make an estimate or leave the question blank. The success of this project depends on your completing as much of the questionnaire as possible and returning it promptly. Thank you for your assistance.

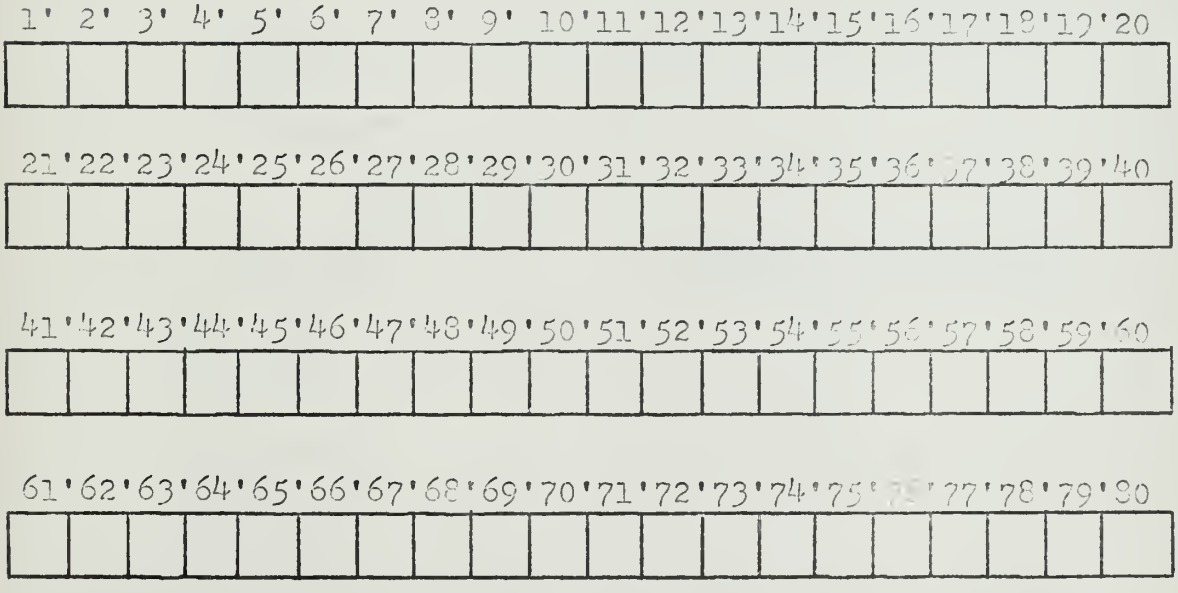
DATA ELEMENTS

JOB ORDER MASTER RECORD



ADDITIONAL INFORMATION REQUIRED FOR

JOB ORDERS FOR REIMBURSABLE EXPENSES



APPENDIX II

RECAPITULATION OF REPLIES TO QUESTIONNAIRE

PERSONNEL

1. Manual Activities:
   166 on board
   16 short (9.7 per cent)

2. EAM Activities:
   49 on board
   9 short (18.4 per cent)

3. Computer Oriented Activities:
   578 on board
   52 short (9.0 per cent)

4. Total all activities:
   793 on board
   77 short (9.7 per cent)

AUTOMATIC DATA PROCESSING (ADP)

1. Breakdown of ADP capabilities:
   7 manual
   3 EAM
   25 Computer

2. Types of Computers:

Equipment	Number of Activities
IBM 1401	8
IBM 360	6
IBM 1410	4
UNIVAC III	2
NCR 315	1
UNIVAC 1050	1
BUR-R-263	1
RCA 3301	1
IBM 1460	1

3. Per cent of total ADP time available devoted to processing fiscal work:

Per cent	Number of Activities
80-89	2
70-79	2
60-69	4
50-59	2
40-49	2
30-39	3
20-29	6
10-19	2
0- 9	2

MEAN: 40.44 per cent
MEDIAN: 35 per cent

4. Is ADP Programming accomplished by your activity?

19 activities answered YES: 6 answered NO
5 of the 6 were under UADPS.
1 was a tenant activity.

5. Is it difficult to change an existing program or to have a new program written?

17 activities answered YES: 8 answered NO

6. Are Distributions and Reports produced by the Data Processing Department timely and accurate?

19 activities answered YES: 6 answered NO

7. In your opinion, could more fiscal work be processed by ADP equipment if the equipment and programming time were available?

22 activities answered YES: 3 answered NO

WORKLOAD INFORMATION

1. Employees per customer:
   (Total employees - questions 1, 2, 3, and 4, page 80, divided by total number of customer activities).

NUMBER OF ACTIVITIES

Employees per customer	Manual	EAM	Computer	TOTAL
5.00 - 5.49	1	0	2	3
4.50 - 4.99	0	0	1	1
4.00 - 4.45	0	0	0	0
3.50 - 3.99	0	0	0	0
3.00 - 3.49	1	0	2	3
2.50 - 2.99	0	0	2	2
2.00 - 2.49	1	2	3	6
1.50 - 1.99	3	0	6	9
1.00 - 1.49	1	0	3	4
.50 - .99	0	1	5	6
TOTAL	7	3	24*	34
MEAN	2.36	1.55	2.12	2.12
MEDIAN	1.75	2.00	1.81	1.81

* One activity did not provide information.

2. EOB/Allotments per employee:
(Total of workload information from questions 1 and 2, page 81, divided by total personnel, questions 1, 2, 3, and 4, page 80.

NUMBER OF ACTIVITIES

EOB/Allotments per employee	Manual	EAM	Computer	Total
20.0 - 21.9	0	0	1	1
18.0 - 19.9	0	0	0	0
16.0 - 17.9	0	0	1	1
14.0 - 15.9	0	0	2	2
12.0 - 13.9	0	0	0	0
10.0 - 11.9	0	1	3	4
8.0 - 9.9	0	0	4	4
6.0 - 7.9	1	0	4	5
4.0 - 5.9	1	0	3	4
2.0 - 3.9	4	1	4	9
0 - 1.9	1	0	2	3
TOTAL	7	2*	24*	33
MEAN	3.67	6.30	7.95	6.64
MEDIAN	2.90	6.30	7.85	6.20

* Two activities did not provide information.

3. Documents (in thousands) processed per employee: (Total obligations plus public vouchers plus billings - questions 4, 5, and 6, page 82, divided by total personnel - questions 1, 2, 3, and 4, page 80).

NUMBER OF ACTIVITIES

Documents (000) Processed per Employee	Manual	EAM	Computer	Total
Over - 3.25	0	0	2	2
3.00 - 3.24	0	0	1	1
2.75 - 2.99	0	0	1	1
2.50 - 2.74	0	0	0	0
2.25 - 2.49	0	0	1	1
2.00 - 2.24	0	0	0	0
1.75 - 1.99	0	0	0	0
1.50 - 1.74	0	0	0	0
1.25 - 1.49	0	0	5	5
1.00 - 1.24	1	0	1	2
.75 - .99	0	0	2	2
.50 - .74	1	2	3	6
.25 - .49	2	0	4	6
0 - .24	2	1	1	4
TOTAL	6*	3	21*	30*
MEAN	.455	.56	1.56	1.24
MEDIAN	.345	.72	1.19	.725

* Five activities did not provide information.

REPORTS

1. Does your work load require you to cut off prior to the last working day of the month in order to meet report due dates?

   17 activities answered YES: 18 answered NO.

   2.64 working days for material documents.
   4.85 working days for public vouchers.

2. Estimated per cent of total labor hours expended in the Appropriation and Control Section devoted to preparing end of the month reports.

over 50	2
45 - 49	1
40 - 44	1
35 - 39	0
30 - 34	3
25 - 29	3
20 - 24	2
15 - 19	5
10 - 14	5
5 - 9	4
0 - 4	2
	28

7 activities did not answer the question.

MEAN 20.3 per cent
MEDIAN 15 per cent

3. Estimated labor hours per month required to prepare the Expenditure Reconciliation Reports (NAVCOMPT Form 2036).

Method of Computation:

Number of hours reported on this question divided by total personnel (questions 1, 2, 3, and 4, page 80) X 168 hours per month equals per cent of total man hours available, which are devoted to completing NAVCOMPT Form 2036.

PER CENT	NUMBER OF ACTIVITIES
10.0 - over	4
9.0 - 9.9	0
8.0 - 8.9	1
7.0 - 7.9	3
6.0 - 6.9	1
5.0 - 5.9	2
4.0 - 4.9	2
3.0 - 3.9	6
2.0 - 2.9	7
1.0 - 1.9	5
0 - .9	2
TOTAL	33

MEAN 4.75 per cent
MEDIAN 3.0 per cent

4. Number of NAVFAC management reports submitted: (one activity reported that customers prepare their own reports).

MONTHLY
9 Activities 44 Reports 514 Man-Hours

Average: 11.68 Man-Hours per Monthly Report

QUARTERLY
24 Activities 88 Reports 1771 Man-Hours

Average: 20.14 Man-Hours per Quarterly Report

SEMI ANNUAL
24 Activities 107 Reports 1415 Man-Hours

Average: 13.22 Man-Hours per Semi Annual Report

ANNUAL
24 Activities 155 Reports 2166 Man-Hours

Average: 13.97 Man-Hours per Annual Report

5. Quality of NAVFAC Management Reports

Excellent	Adequate	Poor
9	14	1

6. Do you provide your customer activities with any reports other than those required by higher authority?

25 Activities answered YES - 10 activities NO

7. How many times per month are you able to notify customer activities of his up to date balance of unexpended funds?

TIMES PER MONTH	NUMBER OF ACTIVITIES
1	12
2	6
3	2
Weekly	8
Twice Weekly	1
Daily	3

8. Have you been requested by any customer activity to modify the format of any of the reports required by P 3006 to comply with special requirements of the customer activity's headquarters command?

13 Activities answered YES - 20 answered NO

2 Activities did not answer

PROCEDURES

1. In your opinion, are instructions issued by higher authority concerning changes to existing procedures or implementation of new procedures adequate?

   20 Activities answered YES - 15 answered NO

2. Do you normally receive assistance on interpretation or clarification of these instructions?

   20 Activities answered YES - 15 answered NO

3. Do you think NAVCOMPT could do more in establishing and standardizing procedures for the AAA?

   21 Activities answered YES - 7 answered NO

   7 Activities did not answer

MISCELLANEOUS INFORMATION

1. Estimated average number of man-hours devoted per month to validating outstanding obligations or unfilled orders:

   Method of Computation:

   Number of man-hours reported on this question divided by total personnel (questions 1, 2, 3, and 4) X 168 hours per month equals per cent of total man-hours available which are devoted to completing validation of outstanding obligations.

PER CENT	NUMBER OF ACTIVITIES
10 - over	3
9 - 9.9	1
8 - 8.9	1
7 - 7.9	1
6 - 6.9	2
5 - 5.9	2
4 - 4.9	0
3 - 3.9	2
2 - 2.9	4
1 - 1.9	9
0 - .9	8

MEAN 3.6 per cent
MEDIAN 2.1 per cent

2. In your opinion, is this validation time well spent or do you believe it is almost an impossible task to complete properly?

31 Activities answered YES - 2 answered NO

2 Activities did not answer

10 Activities indicated validation was almost impossible to complete properly.

3. In your opinion, is the accounting function given the command attention and support necessary to accomplish assigned task in the best or most efficient manner?

22 Activities answered YES - 10 answered NO

3 Activities did not answer

SAMPLES OF JOB ORDER NUMBERING SYSTEMS

NUMBER OF DIGITS	SAMPLE NUMBER	EXPLANATION OF EACH DIGIT
9	179D11C20	17-OPTAR CODE; 9-FY; D1-F/SF CAT; 1C20-COST ACCT
9	D11C10000	D1 F/SF CAT; 1C10 COST ACCT; 0-FILLER TO MAKE 5 DIGITS; 00-JOB ORDER OVER-FLOW TO SERIALIZE JOB ORDER NUMBER 01-99
9	D11A1091A	D1-S/SF CAT; 1A10 COST ACCT; 9 FY; 1 ACTIVITY CODE; A OPTAR CODE
11	90100001600	9 FY; 01 RESPONSIBILITY CENTER; 0 IDENTIFIES TYPE OF REIMBURSABLE; 0001600 CUSTOMER ASSIGNS OWN SIGNIFICANTS
6	200000	ASSIGNED IN BLOCKS TO CUSTOMERS
12	911A10000000	9 FY; 1 DIRECT; 1A10 COST ACCT; 000000 SERIAL
7	96A1421	9 FY; 6A FUND ADM; 1421 SERIAL
6	9J0118	9 FY; J ADM CODE; 01 COST CENTER; 18 SERIAL
10	0220129419	0 NON NIF; 22 RESPONSIBILITY CENTER; 0 COST CENTER; 12 F/SF/COST ACCT; 9 IDENTIFY REIMBURSABLE; 419 NO RESTRICTION

10	S9AE10U123	S ACTIVITY; 9 FY; AE10 COST ACCT; U EXPENSE ELEMENT; 123 LOCAL USE
7	9MH068U	9 FY; [illegible] CODE; H ORGANIZATION/DIV CODE; 068 SERIAL DESIGNATOR FUNCTION; U EXPENSE ELEMENT
11	00244900001	00244 UIC; 9 FY; 00001 SERIAL
6	400399	4 DEPT; 0039 SERIAL; 9 FY
12	19136AB04682	1 ACTIVITY; 9 FY; 1 FUND LIMITATION; 3 COST CENTER; 6 SFC; AB COST ACCT; 04682 SERIAL

LIST OF DATA ELEMENTS FOR JOB ORDER MASTER RECORD (DIRECT)

* 1. Appropriation
* 2. Sub head
3. Operating Budget
4. Chargable Activity
* 5. Unit Identification Code (UIC)
* 6. AAA UIC
7. Fund Limitation Holder UIC
* 8. Job Order Number
* 9. Cost Center
* 10. Sub Cost Center
* 11. Functional Category
* 12. Sub Functional Category
13. Cost Account
14. Reimbursable Code
15. Total Acceleration Rate
16. Leave Acceleration Rate
17. Fringe Acceleration Rate
18. NAVFAC Reports Code
* 19. Fiscal Year
20. Prior Fiscal Year
21. Departmental Code
22. OPTAR Code
23. Control Code
24. Fund Code
25. Functional Account Number
26. Bureau Control Number
* 27. Allotment Number
* 28. Sub Allotment Number
29. Job Order Overflow
30. Property Accounting Activity

31. WEP Task Code
32. Management Code
33. Task Assignment Code
34. Program
35. Work Area
36. Date Established
37. Card Code
38. Transaction Code
39. Expense Element
40. LAB EAM or Utility Code
41. Line Number MOBIS
42. NAVSCON, NSMSES S/C, NAVSEC CODE
43. Plant Account Class
44. Labor Class Code
45. Close For Labor
46. Document Identifier
47. Suffix
48. Overhead Code
49. Post Key
50. Exception Code
51. Segment
52. Job Cost Frequency
53. Holder Suffix Code
54. Reimbursable Local Code
55. Internal Work Unit Control
56. Internal Backlog Control
57. Activity Code Number
58. Reimbursable Work Order Number
59. Sort Code
60. Auxiliary Job Order Number
61. Cancelled
62. Equipment Cost Code
63. FP or CR Code
64. Customer Category
65. Surcharge
66. Customer Name
67. NAS RMS Code
68. NAS 3M Code
69. Leave and No Cost
70. Transaction Type
71. Type Account
72. Shore Activity Code
73. Area Code
74. State Code
75. Account Code
76. Object Class
77. Cost Code

* Data Elements which should be standardized.

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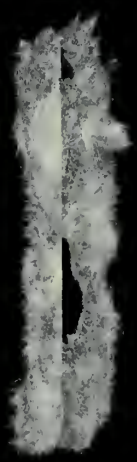

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